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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2004

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	36-4150422
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

200 East Randolph Drive, Chicago, IL	60601
(Address of principal executive office)	(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 [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

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

Class	Outstanding at November 2, 2004
Common Stock ($0.01 par value)	32,833,436

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JONES LANG LASALLE INCORPORATED

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2004 AND DECEMBER 31, 2003

($ in thousands, except share data)

	SEPTEMBER 30, 2004 (Unaudited)	DECEMBER 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,628	63,105
Trade receivables, net of allowances of $6,488 and $4,790 in 2004 and 2003, respectively	233,332	253,126
Notes receivable	2,315	3,698
Other receivables	13,626	8,317
Prepaid expenses	23,585	18,866
Deferred tax assets	18,730	18,097
Other current assets	13,949	7,731
Total current assets	327,165	372,940
Property and equipment, at cost, less accumulated depreciation of $156,076 and $140,520 in 2004 and 2003, respectively	67,017	71,621
Goodwill, with indefinite useful lives, at cost, less accumulated amortization of $38,258 and $38,169 in 2004 and 2003, respectively	335,270	334,154
Identified intangibles, with definite useful lives, at cost, less accumulated amortization of $39,209 and $35,196 in 2004 and 2003, respectively	11,524	13,454
Investments in and loans to real estate ventures	90,965	71,335
Long-term receivables, net	13,568	13,007
Prepaid pension asset	13,884	11,920
Deferred tax assets	45,924	43,252
Debt issuance costs, net	1,906	4,113
Other assets, net	11,137	7,144
	$ 918,360	942,940

JONES LANG LASALLE INCORPORATED
CONSOLIDATED BALANCE SHEETS - CONTINUED

SEPTEMBER 30, 2004 AND DECEMBER 31, 2003
($ in thousands, except share data)

	SEPTEMBER 30, 2004 (Unaudited)	DECEMBER 31, 2003
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 81,303	96,466
Accrued compensation	133,802	154,317
Short-term borrowings	27,210	3,592
Deferred tax liabilities	3,498	2,623
Other current liabilities	43,616	28,414
Total current liabilities	289,429	285,412
Long-term liabilities:		
Credit facilities	160,820	--
9% Senior Euro Notes, due 2007	--	207,816
Deferred tax liabilities	4,711	761
Other liabilities	29,434	17,960
Total liabilities	484,394	511,949
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value per share, 100,000,000 shares authorized; 32,803,655 and 31,762,077 shares issued and outstanding as of September 30, 2004 and December 31, 2003, respectively	328	318
Additional paid-in capital	539,184	519,438
Deferred stock compensation	(20,151)	(21,649)
Retained deficit	(45,060)	(59,346)
Stock held by subsidiary	(48,683)	(12,846)
Stock held in trust	(551)	(460)
Accumulated other comprehensive income	8,899	5,536
Total stockholders' equity	433,966	430,991
	$ 918,360	942,940

See accompanying notes to consolidated financial statements.

<table>

JONES LANG LASALLE INCORPORATED

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
($ in thousands, except share data)
(UNAUDITED)

<caption>

<s>	THREE MONTHS ENDED SEPTEMBER 30, 2004 <c>	THREE MONTHS ENDED SEPTEMBER 30, 2003 <c>	NINE MONTHS ENDED SEPTEMBER 30, 2004 <c>	NINE MONTHS ENDED SEPTEMBER 30, 2003 <c>
Revenue:				
Fee based services	$ 263,949	213,169	740,545	608,135
Equity in earnings (losses) from unconsolidated ventures	1,034	(77)	10,071	(282)
Other income	5,968	4,983	14,031	11,691
Total revenue	270,951	218,075	764,647	619,544
Operating expenses:				
Compensation and benefits, excluding non-recurring and restructuring charges	175,020	137,276	505,470	407,054
Operating, administrative and other, excluding non-recurring and restructuring charges	66,630	57,176	196,961	169,845
Depreciation and amortization	8,435	9,082	24,678	28,058
Non-recurring and restructuring charges (credits):				
Compensation and benefits	(5)	(1,476)	(142)	(2,063)
Operating, administrative and other	(1,403)	25	(2,196)	4,765
Total operating expenses	248,677	202,083	724,771	607,659
Operating income	22,274	15,992	39,876	11,885
Interest and other costs:				
Interest expense, net of interest income	1,016	4,708	8,472	13,726
Loss on extinguishment of Euro Notes	--	--	11,561	--
Total interest and other costs	1,016	4,708	20,033	13,726
Income (loss) before provision (benefit) for income taxes	21,258	11,284	19,843	(1,841)
Net provision (benefit) for income taxes	5,953	3,873	5,557	(590)
Net income (loss)	$ 15,305	7,411	14,286	(1,251)

JONES LANG LASALLE INCORPORATED
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME - CONTINUED

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
($ in thousands, except share data)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	$ 1,972	699	3,363	829
Minimum pension liability	--	(1,630)	--	(10,687)
Comprehensive income (loss)	$ 17,277	6,480	17,649	(11,109)
Basic income (loss) per common share	$ 0.49	0.24	0.46	(0.04)
Basic weighted average shares outstanding	30,936,792	31,181,095	30,912,002	30,875,168
Diluted income (loss) per common share	$ 0.47	0.23	0.43	(0.04)
Diluted weighted average shares outstanding	32,894,416	32,409,506	32,850,218	30,875,168

<fn>

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

NINE MONTHS ENDED SEPTEMBER 30, 2004

($ in thousands, except share data)

(UNAUDITED)

<caption>

	Common Stock		Additional Paid-In Capital	Deferred Stock Compensation	Retained Earnings (Deficit)	Shares Held by Subsidiary	Shares Held in Trust and Other	Accumulated Other Comprehensive Income	Total
	Shares	Amount							
<s>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Balances at December 31, 2003	31,762,077	$318	519,438	(21,649)	(59,346)	(12,846)	(460)	5,536	430,991
Net loss	--	--	--	--	14,286	--	--	--	14,286
Shares issued in connection with stock option plan	577,147	6	11,275	--	--	--	--	--	11,281
Restricted stock:									
Shares granted .	--	--	9,845	(9,845)	--	--	--	--	--
Shares issued . .	48,333	--	--	--	--	--	--	--	--
Shares repurchased for payment of taxes	(16,746)	--	(546)	--	--	--	--	--	(546)
Amortization of granted shares	--	--	--	3,938	--	--	--	--	3,938
Reduction in restricted stock grants outstanding . .	--	--	(729)	729	--	--	--	--	--
Stock purchase programs:									
Shares issued	112,500	1	1,990	--	--	--	--	--	1,991

JONES LANG LASALLE INCORPORATED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - CONTINUED

NINE MONTHS ENDED SEPTEMBER 30, 2004
($ in thousands, except share data)
(UNAUDITED)

	Common Stock		Additional Paid-In Capital	Deferred Stock Compensation	Retained Earnings (Deficit)	Shares Held by Subsidiary	Shares Held in Trust and Other	Accumulated Other Comprehensive Income	Total
	Shares	Amount							
Stock compensation programs:									
Shares issued . .	431,829	4	2,427	--	--	--	--	--	2,431
Shares repurchased for payment of taxes	(131,036)	(1)	(3,663)	--	--	--	--	--	(3,664)
Amortization of granted shares	--	--	--	5,338	--	--	--	--	5,338
Reduction in stock compensation grants outstanding . .	--	--	(1,338)	1,338	--	--	--	--	--
Shares deferred by employees . .	19,551	--	--	--	--	--	(321)	--	(321)
Distribution of shares held in trust	--	--	485	--	--	--	230	--	715
Shares held by subsidiary . . .	--	--	--	--	--	(35,837)	--	--	(35,837)
Cumulative effect of foreign currency translation adjustments	--	--	--	--	--	--	--	3,363	3,363
Balances at September 30, 2004	32,803,655	$328	539,184	(20,151)	(45,060)	(48,683)	(551)	8,899	433,966

<fn>

See accompanying notes to consolidated financial statements.

</table>

JONES LANG LASALLE INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
($ in thousands)
(UNAUDITED)

	2004	2003
Cash flows from operating activities:		
Cash flows from earnings:		
Net income (loss)	$ 14,286	(1,251)
Reconciliation of net income (loss) to net cash provided by earnings:		
Depreciation and amortization	24,678	28,058
Equity in (earnings) loss	(10,071)	282
Operating distributions from real estate ventures	7,487	3,118
Provision for loss on receivables and other assets	2,378	6,468
Amortization of deferred compensation	10,642	8,660
Amortization of debt issuance costs	2,244	1,126
Net cash provided by earnings	51,644	46,461
Cash flows from changes in working capital:		
Receivables	15,404	44,915
Prepaid expenses and other assets	(14,010)	(4,783)
Deferred tax assets	(586)	(2,334)
Accounts payable, accrued liabilities and accrued compensation	(15,996)	(48,918)
Net cash flows from changes in working capital	(15,188)	(11,120)
Net cash provided by operating activities	36,456	35,341
Cash flows used in investing activities:		
Net capital additions - property and equipment	(15,582)	(12,444)
Other acquisitions and investments, net of cash balances assumed	(509)	(1,100)
Investments in real estate ventures:		
Capital contributions and advances to real estate ventures	(32,284)	(4,282)
Distributions, repayments of advances and sale of investments	12,984	10,187
Net cash used in investing activities	(35,391)	(7,639)

JONES LANG LASALLE INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
($ in thousands)
(UNAUDITED)

	2004	2003
Cash flows used in financing activities:		
Proceeds from borrowings under credit facilities	420,013	276,634
Repayments of borrowings under credit facilities	(235,575)	(303,584)
Redemption of Euro Notes, net of costs	(203,209)	--
Shares repurchased for payment of taxes on stock awards	(4,210)	(3,330)
Shares repurchased under share repurchase program	(35,837)	--
Common stock issued under stock option plan and stock purchase programs	16,276	2,525
Net cash used in financing activities	(42,542)	(27,755)
Net decrease in cash and cash equivalents	(41,477)	(53)
Cash and cash equivalents, beginning of period	63,105	13,654
Cash and cash equivalents, end of period	$ 21,628	13,601
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 9,037	10,972
Taxes, net of refunds	7,977	7,707

See accompanying notes to consolidated financial statements.

Readers of this quarterly report should refer to the audited financial statements of Jones Lang LaSalle Incorporated ("Jones Lang LaSalle", which may also be referred to as the "Company" or as "we," "us" or "our") for the year ended December 31, 2003, which are included in Jones Lang LaSalle's 2003 Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission and also available on our website (www.joneslanglasalle.com), since we have omitted from this report certain footnote disclosures which would substantially duplicate those contained in such audited financial statements. You should also refer to the "Summary of Critical Accounting Policies and Estimates" section within Item 2., "Management's Discussion and Analysis of Financial Condition and Results of Operations," contained herein, for further discussion of our accounting policies and estimates.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTERIM INFORMATION

Our consolidated financial statements as of September 30, 2004 and for the three and nine months ended September 30, 2004 and 2003 are unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements for these interim periods have been included. Historically, our revenue, 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 assets are sold, the timing of which is geared towards the benefit of our clients. As such, the results for the periods ended September 30, 2004 and 2003 are not indicative of the results to be obtained for the full fiscal year. The preparation of our financial statements requires management to make certain critical accounting estimates that impact the stated amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting periods. These accounting estimates are based on management's judgment and are considered to be critical because of their significance to the financial statements and the possibility that future events may differ from current judgments, or that the use of different assumptions could result in materially different estimates. We review these estimates on a periodic basis to ensure reasonableness. However, the amounts we may ultimately realize could differ from such estimated amounts.

EARNINGS PER SHARE

For the three months ended September 30 2004, we calculated basic earnings per share using basic weighted average shares outstanding of 30.9 million and diluted earnings per share using diluted weighted average shares outstanding of 32.9 million. For the three months ended September 30, 2003, we calculated basic earnings per share using basic weighted average shares outstanding of 31.2 million and

diluted earnings per share using diluted weighted average shares outstanding of 32.4 million. The increase of 2.0 million and 1.2 million in diluted weighted average shares outstanding in 2004 and 2003, respectively, reflects the dilutive effect of common stock equivalents, which include shares to be issued under our 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 nine months ended September 30, 2004, we calculated basic earnings per share using basic weighted average shares outstanding of 30.9 million and diluted earnings per share using diluted weighted average shares outstanding of 32.9 million. For the nine months ended September 30, 2003, we calculated the basic and diluted loss per share using basic weighted average shares outstanding of 30.9 million. As a result of the net loss incurred in the nine months ended September 30, 2003, the diluted weighted average shares outstanding for this period do not give effect to common stock equivalents, since to do so would be anti-dilutive.

In accordance with our share repurchase program, shares repurchased are not cancelled but are held by one of our subsidiaries. We have repurchased shares in our equity account, but we exclude them from our earnings per share calculation. As such, we did not include in weighted average shares outstanding shares repurchased in the following periods:

2002	300,000
2003	400,000
2004	1,305,400

STATEMENT OF CASH FLOWS

We show the effects of foreign currency translation on cash balances in cash flows from operating activities on the Consolidated Statements of Cash Flows.

INCOME TAX PROVISION

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.

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

- our geographic mix of income,
- legislative actions on statutory tax rates,
- the impact of tax planning to reduce losses in jurisdictions where we cannot recognize the tax benefit of those losses, and
- tax planning for jurisdictions affected by double taxation.

We continuously seek to develop and implement potential strategies and/or actions that would reduce our overall effective tax rate. We reflect the benefit from tax planning actions when we believe it is probable that they will be successful, which usually requires that certain actions have been initiated. We provide for the effects of income taxes on interim financial statements based on our estimate of the effective tax rate for the full year. Based on our forecasted results, we have estimated an effective tax rate of 28% for 2004. While there can be no assurance that we will achieve an effective tax rate of 28% in 2004, we believe that this is an achievable rate due to the impact of consistent and effective tax planning. For the nine months ended September 30, 2003, we used an estimated effective tax rate of 32% on recurring operations. We ultimately achieved an effective tax rate of 27.7% on recurring operations in 2003, which excluded: (i) a specific tax benefit of $2.2 million related to non-recurring and restructuring items, and (ii) a tax benefit of $3.0 million related to a write-down of an e-commerce investment taken as a restructuring action in 2001, which was not originally expected to be deductible, but which, as a result of actions undertaken in 2003, was deemed deductible.

STOCK-BASED COMPENSATION

The Jones Lang LaSalle Amended and Restated Stock Award and Incentive Plan ("SAIP") provides for the granting of options to purchase a specified number of shares of common stock and other stock awards to eligible employees of Jones Lang LaSalle. As a result of a change in compensation strategy, other than as an inducement to certain new employees, we do not utilize stock option grants as part of our employee compensation program. We account for our stock option and stock compensation plans under the provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), as amended by FASB Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"). These provisions allow entities to continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), using the intrinsic value based method, and provide pro forma net income and net income per share as if the fair value based method, defined in SFAS 123, as amended, had been applied. We have elected to apply the provisions of APB 25 in accounting for stock options and other stock awards. Therefore, pursuant to APB 25, no compensation expense has been recognized with respect to options granted at the market value of our common stock on the date of grant. We have recognized other stock awards, which we granted at prices below the market value of our common stock on the date of grant, as compensation expense over the vesting period of those awards pursuant to APB 25. The following table provides net income (loss) and pro forma net income (loss) per common share as if the fair value based method had been applied to all awards ($ in thousands, except share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income (loss), as reported	$ 15,305	7,411	14,286	(1,251)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	3,505	1,740	9,662	5,493
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,914)	(2,132)	(9,124)	(6,802)
Pro forma net income (loss)	$ 16,896	7,019	14,824	(2,560)
Net income (loss) per share:				
Basic - as reported .	$ 0.49	0.24	0.46	(0.04)
Basic - pro forma . .	$ 0.55	0.23	0.48	(0.08)
Diluted - as reported	$ 0.47	0.23	0.43	(0.04)
Diluted - pro forma .	$ 0.51	0.22	0.45	(0.08)

DERIVATIVES AND HEDGING ACTIVITIES

We apply FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended by FASB Statement No. 138, "Accounting For Certain Derivative Instruments and Certain Hedging Activities", when accounting for derivatives and hedging activities.

As a firm, we do not enter into derivative financial instruments for trading or speculative purposes. However, in the normal course of business we do use derivative financial instruments in the form of forward foreign currency exchange contracts to manage foreign currency risk. At September 30, 2004, we had forward exchange contracts in effect with a gross notional value of $240.7 million ($188.3 million on a net basis) and a market and carrying gain of approximately $2.2 million.

In the past, we have used interest rate swap agreements to limit the impact of changes in interest rates on earnings and cash flows. We did not use any interest rate swap agreements in 2003 or in the first nine months of 2004 and there were no such agreements outstanding as of September 30, 2004.

We require that hedging derivative instruments be effective in reducing the exposure that they are designated to hedge, which is necessary in order 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.

We hedge any foreign currency exchange risk resulting from intercompany loans through the use of foreign currency forward contracts. SFAS 133 requires that we recognize unrealized gains and losses on these derivatives 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 three and nine months ended September 30, 2004 of the unrealized gain on foreign currency contracts, offset by the loss resulting from re-measurement of foreign currency transactions, was not significant.

In connection with a previous investment in an unconsolidated real estate venture, we were granted certain residual "Common Share Purchase Rights" that gave us the ability to purchase shares in a publicly traded real estate investment trust at a fixed price. These rights, which extended through April of 2008, were a non-hedging derivative instrument and should have been recorded at fair value as part of the adoption of SFAS 133 effective January 1, 2001, with subsequent changes in fair value reflected in equity earnings. The initial accounting for these common share purchase rights through June 30, 2003 was not in accordance with the rules of SFAS 133 due to an inadvertent error as a result of the complexity of this unique derivative. The fair value of these common share purchase rights was recorded in the third quarter of 2003. We determined fair value through the use of the Black Scholes option pricing model. The fair value of these common share purchase rights at December 31, 2003 was $1.4 million. During the first quarter of 2004, market conditions became favorable for us to begin disposing of these common share purchase rights. The disposition began during the last few trading days of the first quarter of 2004 and was completed during the first few trading days of the second quarter. We recorded an increase in fair value of $220,000 to equity earnings during the first quarter, based on the net disposition gain, as the net sales proceeds were our best estimate of the current value of the common share purchase rights. We do not own any other instruments of this nature.

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. Development management fees are generally recognized as billed, which we believe approximates the "percentage of completion" method of accounting. 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 No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), as amended by SAB 104, provides guidance on the application of accounting principles generally accepted in the United States of America 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 101, as amended by SAB 104.

In certain of our businesses, primarily those involving management services, our clients reimburse us for expenses we incur on their behalf. We base the treatment of reimbursable expenses for financial reporting purposes upon the fee structure of the underlying contract. We report on a gross basis contracts that provide a fixed fee/billing, fully inclusive of all personnel or other recoverable expenses that we incur, and not separately scheduled as such. This

means that our reported revenues include the full billing to our client and our reported expenses include all costs associated with the client. We will account for the contract on a net basis when the fee structure is comprised of at least two distinct elements, namely:

- the fixed management fee and
- a separate component which allows for scheduled reimbursable personnel or other expenses to be billed directly to the client.

This means we include the fixed management fee in reported revenues and we net the reimbursement against expenses. This characterization is based on the following factors which define us as an agent rather than a principal:

- the property owner generally has the authority over hiring practices and the approval of payroll prior to payment by Jones Lang LaSalle;
- Jones Lang LaSalle in certain situations is the primary obligor with respect to the property personnel, but bears little or no credit risk under the terms of the management contract;
- reimbursement to Jones Lang LaSalle is generally completed simultaneously with payment of payroll or soon thereafter; and
- Jones Lang LaSalle generally earns no margin in the arrangement, obtaining reimbursement only for actual costs incurred.

The majority of our service contracts utilize the latter structure and are accounted for on a net basis. We have always presented the above reimbursable contract costs on a net basis in accordance with accounting principles generally accepted in the United States of America. Such costs aggregated $109.4 million and $94.5 million for the three months ended September 30, 2004 and 2003, respectively. Such costs aggregated $316.3 million and $285.4 million for the nine months ended September 30, 2004 and 2003, respectively. This treatment has no impact on operating income (loss), net income (loss) or cash flows.

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. Many of these claims are covered under our current insurance programs, subject to deductibles. We recognize the liability associated with commitments and contingencies when a loss is probable and estimable. Our contractual obligations generally relate to the provision of services by us in the normal course of our business. Although the ultimate liability for these matters cannot be determined, based upon information currently available, we believe the ultimate resolution of such claims and litigation will not have a material adverse effect on our financial position, results of operations or liquidity.

On November 8, 2002, Bank One N.A. ("Bank One") filed suit against the Company and certain of its subsidiaries in the Circuit Court of Cook County, Illinois with regard to services provided in 1999 and 2000 pursuant to three different agreements relating to facility management, project development and broker services. The suit generally alleged negligence, breach of contract and breach of fiduciary duty on the part of Jones Lang LaSalle and sought to recover a total of $40 million in compensatory damages and $80 million in punitive damages. On December 16, 2002, the Company filed a counterclaim for breach of contract seeking payment of approximately $1.2 million for fees due for services provided under the agreements. On December 16, 2003, the court granted the Company’s motion to strike the complaint because, after completion of significant discovery, Bank One had been unable to substantiate its allegations that it suffered damages of $40 million as it had previously claimed. Bank One was authorized to file an amended complaint that seeks to recover compensatory damages in an unspecified amount, plus an unspecified amount of punitive damages. The amended complaint also includes allegations of fraudulent misrepresentation, fraudulent concealment and conversion. The court has postponed the trial date previously set for November 29, 2004 to allow additional time for mediation and as of the date of this report has not set a new date. The Company continues to aggressively defend the suit. While there can be no assurance, the Company continues to believe that the complaint is without merit and, as such, will not have a material adverse impact on our financial position, results of operations, or liquidity. As of the date of this report, we continue with the process of discovery. As such, although we still have not seen or heard anything that leads us to believe that the suit has merit, the outcome of Bank One’s suit cannot be predicted with any certainty and management is unable to estimate an amount or range of potential loss that could result if an improbable unfavorable outcome did occur.

In our Americas business, in common with many other American companies, we have chosen to retain certain risks regarding health insurance and workers’ compensation rather than purchase third party insurance. Estimating our exposure to such risks involves subjective judgments about future developments. We engage the services of an independent actuary on an annual basis to assist us in quantifying our potential exposure. Analysis of claim expense run-off was performed related to the 2002 and 2003 health insurance reserves which resulted in a decision being made that we should release $679,000 to the income statement in the third quarter of 2004. This compared to an adjustment of $780,000 in the third quarter of 2003. Given the nature of medical claims, it may take up to 24 months for claims to be processed and recorded. The reserve balance for the 2002 program is $6,000 at September 30, 2004. The reserve balance for the 2003 program at September 30, 2004 is $241,225.

The actuary provides a range of potential exposure related to workers’ compensation costs and we reserve within that range. We accrue for the estimated adjustment to revenues for the difference between the actuarial estimate and our reserve on a periodic basis. The credit taken to revenue for the three and nine months ended September 30, 2004 was $2.2 million and $3.2 million, respectively. The credit taken to revenue for the three and nine months ended September 30, 2003 was $1.6 million and $2.5 million, respectively.

In order to better manage our global insurance program, and support our risk management efforts we supplement our traditional insurance program by the use of a captive insurance company to provide professional indemnity insurance coverage on a "claims made" basis. In the past, we have utilized this in certain of our international operations, but effective March 31, 2004, as part of the renewal of our global professional indemnity insurance program we expanded the scope of the use of the captive to provide coverage to our entire business. A review of prior year insurance claims has resulted in the

strengthening of certain reserves in the third quarter of 2004 by $1.6 million. This strengthening of the claim reserves increased the historic loss ratio that is the basis of the reserve for the current year exposures which resulted in an incremental $300,000 of expense being recorded in the third quarter of 2004.

Jones Lang LaSalle and certain of our subsidiaries guarantee our revolving credit facility. In addition, we guarantee the local overdraft facilities of certain subsidiaries. Third-party lenders request these guarantees to ensure payment by the Company in the event that one of subsidiaries fails to repay its borrowing on an overdraft facility. We have provided guarantees of $28.1 million related to the local overdraft facilities, as well as guarantees related to our $325 million revolving credit facility, which in total represent the maximum future payments that Jones Lang LaSalle could be required to make under the guarantees provided for subsidiaries third-party debt.

At September 30, 2004 we had capital commitments of $135.2 million for future fundings of co-investments. These commitments are to LaSalle Investment Limited Partnership, referred to as LaSalle Investment Company ("LIC"). We expect that LIC will draw down on our commitments over the next five to seven years as it enters into new coinvestments.

(2) BUSINESS SEGMENTS

We manage our business along a combination of functional and geographic lines. We report our operations as four business segments:

- Investment Management, which offers Real Estate Money Management services on a global basis,

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

- Americas,
- Europe and
- Asia Pacific,

each of which offers our full range of Real Estate Investors Services, Real Estate Capital Markets and Real Estate Occupier Services. The Investment Management segment provides Real Estate Money Management services to institutional investors and high-net-worth individuals. The IOS business consists primarily of tenant representation and agency leasing, capital markets and valuation services (collectively "implementation services") and property management, facilities management services and project and development services (collectively "management services").

Total revenue by 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, since nearly all expenses incurred benefit one or more of the segments. Allocated expenses primarily consist of corporate global overhead, including certain globally managed stock programs. We allocate these corporate global overhead expenses to the business segments based on the relative plan revenue of each segment.

Our measure of segment operating results excludes non-recurring and restructuring charges because we have determined that it is not meaningful to investors to allocate these charges to our segments. See Note 3 for a detailed discussion of these charges. In addition, the Chief Operating Decision Maker of Jones Lang LaSalle measures the

segment results without these charges allocated and assesses performance for incentive compensation purposes before the impact of these charges. We define the Chief Operating Decision Maker collectively as our Global Executive Committee, which is comprised of our Global Chief Executive Officer, Global Chief Financial Officer and the Chief Executive Officers of each of our reporting segments.

The following table summarizes unaudited financial information by business segment for the three and nine months ended September 30, 2004 and 2003 ($ in thousands):

SEGMENT OPERATING RESULTS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
INVESTOR AND OCCUPIER SERVICES - AMERICAS				
Revenue:				
Implementation services	$ 36,763	25,503	98,756	70,882
Management services	44,774	41,389	124,070	119,709
Equity earnings . .	--	--	467	--
Other services . .	1,871	1,308	4,613	3,495
Intersegment revenue	234	93	615	432
	83,642	68,293	228,521	194,518
Operating expenses:				
Compensation, operating and administrative expenses	70,385	55,951	201,425	171,822
Depreciation and amortization . .	3,495	4,508	10,519	13,717
Operating income . . .	$ 9,762	7,834	16,577	8,979
EUROPE				
Revenue:				
Implementation services	$ 73,108	57,854	214,710	162,742
Management services	23,166	20,678	69,890	65,594
Other services . .	3,235	3,352	7,191	6,862
	99,509	81,884	291,791	235,198
Operating expenses:				
Compensation, operating and administrative expenses	94,046	76,539	277,702	223,345
Depreciation and amortization . .	2,543	2,785	7,998	8,331
Operating income . . .	$ 2,920	2,560	6,091	3,522

SEGMENT OPERATING RESULTS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
ASIA PACIFIC				
Revenue:				
Implementation services	$ 33,151	23,316	82,557	60,383
Management services	22,613	18,509	64,546	54,443
Other services . .	469	306	1,226	1,110
	56,233	42,131	148,329	115,936
Operating expenses:				
Compensation, operating and administrative expenses	52,403	41,084	144,835	116,179
Depreciation and amortization . .	2,104	1,519	5,247	5,098
Operating income (loss) . . .	$ 1,726	(472)	(1,753)	(5,341)
INVESTMENT MANAGEMENT -				
Revenue:				
Implementation and other services .	$ 3,094	996	8,012	3,324
Advisory fees . . .	24,615	23,585	74,636	69,348
Incentive fees . .	3,058	1,356	4,369	1,934
Equity earnings (loss)	1,034	(77)	9,604	(282)
	31,801	25,860	96,621	74,324
Operating expenses:				
Compensation, operating and administrative expenses	25,049	20,971	79,083	65,985
Depreciation and amortization . .	294	270	915	912
Operating income . . .	$ 6,458	4,619	16,623	7,427
Total segment revenue .	$271,185	218,168	765,262	619,976
Intersegment revenue eliminations	(234)	(93)	(615)	(432)
Total revenue .	$270,951	218,075	764,647	619,544

	SEGMENT OPERATING RESULTS			
	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Total segment operating expenses	$250,319	203,627	727,724	605,389
Intersegment operating expense eliminations	(234)	(93)	(615)	(432)
Total operating expenses before non-recurring charges . . .	$250,085	203,534	727,109	604,957
Non-recurring charges (credits) . .	$ (1,408)	(1,451)	(2,338)	2,702
Operating income . . .	$ 22,274	15,992	39,876	11,885

(3) NON-RECURRING AND RESTRUCTURING CHARGES

For the three and nine months ended September 30, 2004, we recorded credits of $1.4 million and $2.3 million, respectively, to non-recurring expense. For the three and nine months ended September 30, 2003, we recorded a credit of $1.5 million and a charge of $2.7 million, respectively, to non-recurring expense. This activity consists of the following elements ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Non-Recurring & Restructuring				
Land Investment and Development Group . .	$ 1,852	--	573	--
Insolvent Insurance Providers	--	--	--	(606)
Abandonment of Property Management Accounting System:				
Compensation & Benefits	(2)	--	74	113
Operating, Administrative & Other . .	(3,848)	97	(3,495)	4,919
2001 Global Restructuring Program:				
Compensation & Benefits	(3)	15	(41)	97
Operating, Administrative & Other . .	--	--	--	--

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
2002 Global Restructuring Program:				
Compensation & Benefits	--	(1,491)	(175)	(2,273)
Operating, Administrative & Other . .	593	(72)	726	452
Total Non-Recurring & Restructuring (Credit)/ Expense	$ (1,408)	(1,451)	(2,338)	2,702

LAND INVESTMENT GROUP

We closed the non-strategic residential land business ("Land Investment Group") in the Americas region of the Investment Management segment in 2001. These assets are currently managed by a third party asset manager who provides us with cash flow projections on an annual basis. We had a net impairment expense during the three months ended September 30, 2004 for the Land Investment Group assets of $1.9 million which represented a new impairment charge of $2 million offset by cash proceeds, related to previously fully written down assets, of approximately $150,000. We received updated cash flow projections for one of the investments in the three months ended September 30, 2004 which indicated a decline in expected cash proceeds and an increase in expected expenses associated with this investment. As a result of this, an impairment charge of approximately $2 million was recorded to non-recurring and restructuring expense. This means that the net book value of the three Land Investment Group investments included in investments in and loans to real estate ventures at September 30, 2004 was $0, as compared with approximately $2 million at December 31, 2003.

We have provided guarantees associated with this investment portfolio of approximately $750,000, which we currently do not expect to be required to fund. We expect these investments to be liquidated by the end of 2007. We received cash proceeds of approximately $150,000 during the three months ended September 30, 2004 related to the partial liquidation of the other two Land Investment Group assets which had previously been fully written down. These proceeds were recorded as a credit to non-recurring and restructuring expense. Future credits relating to the liquidation process will be recorded if further cash is received.

There were no similar transactions for the three and nine months ended September 30, 2003.

DEVELOPMENT GROUP

As part of our broad based business restructuring in the second half of 2001, we disposed of our Americas Development Group, although we retained an interest in certain investments the group had originated. In the second quarter of 2004 we liquidated the final Development Group investment and recorded a gain of $1.3 million to non-recurring expense. It is possible that future credits may be recorded relating to this disposal, dependent upon future business performance.

There were no similar transactions for the three and nine months ended September 30, 2003.

INSOLVENT INSURANCE PROVIDERS

As a result of two of our insurance providers becoming insolvent in 2001, we recorded a provision of $1.9 million, of which $1.6 million related to approximately 30 claims that were covered by an insolvent Australian insurance provider, HIH Insurance Limited ("HIH"). In the second quarter of 2003 we reduced the reserve by $0.6 million because of favorable developments in claim settlement. This credit was recorded to non-recurring expense. As of September 30, 2004, $0.5 million of the reserve established remains to cover claims which would have been covered by the insurance provided by HIH. The open claims relate to personal injury matters. Although there can be no assurance, we believe this reserve is adequate to cover any remaining claims and expenses resulting from the HIH insolvency.

ABANDONMENT OF PROPERTY MANAGEMENT ACCOUNTING SYSTEM

In the three months ending September 30, 2004 we settled the litigation we were pursuing with regard to the unsuccessful implementation of an Australian property management accounting system discussed in the paragraph following. Under the settlement agreement, which was executed on September 27, 2004, we are scheduled to receive a total of AUS$9.8 million ($7.1 million) in cash, in installments as follows: (1) AUS$6.0 million ($4.3 million) on or before October 22, 2004, (2) AUS$2.0 million ($1.5 million) on or before March 31, 2005, (3) AUS$1.0 million ($0.7 million) on or before September 30, 2005 and (4) AUS$0.8 million ($0.6 million) on or before December 31, 2005. We received the AUS$6.0 million payment on October 22, 2004. In connection with the agreement, each of parties has released the other from further liabilities with respect to the underlying dispute and has agreed to certain other terms typical for a settlement agreement of this kind. We have recognized the AUS$6.0 million ($4.3 million) recovery as a credit of $4.3 million to non-recurring and restructuring expense in the three months ending September 30, 2004 offset by legal expenses of $370,000 associated with the settlement process. We intend to account for the remaining installments on a cash basis due to the conditions of the settlement. The installments received will be recognized in non-recurring and restructuring.

We completed a feasibility analysis of a property management accounting system that was in the process of being implemented in Australia in the second quarter of 2003. As a result of the review, we concluded that the potential benefits from successfully correcting deficiencies in the system that would allow it to be implemented throughout Australia were not justified by the costs that would have to be incurred to do so. As a result of this decision, we recorded a charge of $5.1 million to non-recurring expense in 2003. The charge of $5.1 million includes $113,000 related to severance costs of personnel who worked exclusively on the system and $218,000 for professional fees associated with pursuing litigation against the consulting firm that was responsible for the design and implementation of this system. For the three and nine months ended September 30, 2004, we recorded an additional $370,000 and $723,000, respectively, to non-recurring expense for legal expenses incurred in connection with this matter. In addition, we incurred $74,000 in the nine months ended September 30, 2004 for additional severance costs. We implemented a transition plan to an existing alternative system and have used this system from July 1, 2003.

BUSINESS RESTRUCTURING

Business restructuring charges include severance and professional fees associated with the realignment of our business. In 2001, 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 global business that reduced headcount by approximately nine percent. The total charge for the full year of 2001 for estimated severance and related costs was $43.9 million. Included in the $43.9 million was $40.0 million of severance costs and approximately $3.0 million of professional fees. The balance of $900,000 included relocation and other severance related expenses. Of the estimated $43.9 million (adjusted down to $42.5 million for reasons stated below), $41.9 million had been paid at September 30, 2004, with a further $0.5 million to be paid over the next several years as required by labor laws.

In December 2002, we reduced our workforce by four percent to meet expected global economic conditions. As such, we recorded $12.7 million in non-recurring compensation and benefits expense related to severance and certain professional fees, and $632,000 in non-recurring operating, administrative and other expense in 2002, primarily related to the lease cost of excess space. Of the estimated $12.7 million (adjusted down to $10.4 million in 2003 for reasons stated below), $10.2 million had been paid at September 30, 2004, with the remaining $0.2 million to be paid by the end of 2004.

In 2003 we established a reserve for excess lease space of $4.4 million as a result of the 2002 restructuring. We had established $452,000 of this reserve by September 30, 2003 with the balance expensed in the fourth quarter of 2003. This reserve related to new space that we no longer intended to occupy, but where we were committed to a long term lease. Through September 30, 2004, $0.6 million of this reserve had been utilized against lease payments for this space. On September 29, 2004, the Company entered into a modified lease agreement with more favorable terms for this space and now plans to take occupation of approximately two thirds of this space in the first quarter of 2005. As a result of this change in circumstances, a net amount of $2.4 million of this reserve is no longer required and has been reversed to non-recurring and restructuring expense in the three months ending September 30, 2004. The remaining reserve of $1.4 million is for excess space in the new building which we are seeking to sublet. We have made certain assumptions regarding the terms of any sublet in estimating the required reserve and it is possible that additional charges or credits will be recorded with regard to this space as a sublet agreement is finalized. The lease for the space that we currently occupy runs through January, 2007 and is considered excess given our decision to occupy space in the new building. An expense of $3.0 million for this excess space has been recorded to non-recurring and restructuring expense in the three months ending September 30, 2004. The net charge to non-recurring and restructuring expense for the excess space in the third quarter is $0.6 million. The balance of the reserve for this excess space at the end of the period is $2.9 million.

In general, the actual costs incurred related to these business restructurings have varied from our original estimates for a variety of reasons, including the identification of additional facts and circumstances, the complexity of international labor law, developments in the underlying business resulting in the unforeseen reallocation of resources and better or worse than expected settlement discussions. We record such variances to non-recurring and restructuring charges in the quarter they are identified. As a result of the above, we recorded an additional credit of $1.5 million

to non-recurring for the three months ended September 30, 2003 and for the nine months ended September 30, 2003 recorded a credit of $2.2 million to non-recurring. Given the passage of time, there has been minimal activity in the three and nine months ending September 30, 2004 with a net credit of $3,000 and $216,000, respectively.

As discussed in Note 2, our measure and discussion of segment operating results excludes non-recurring and restructuring charges. The following table displays the net charges (credits) by segment for the three and nine months ended September 30, 2004 and 2003 ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Non-Recurring & Restructuring				
Investor and Occupier Services:				
Americas	$ 43	(1,772)	(135)	(1,772)
Europe	553	76	558	(220)
Asia Pacific	(3,856)	(51)	(3,334)	4,398
Investment Management	1,852	353	573	353
Corporate	--	(57)	--	(57)
Total Non-Recurring & Restructuring	$ (1,408)	(1,451)	(2,338)	2,702

(4) ACCOUNTING FOR BUSINESS COMBINATIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

We apply FASB Statement No. 141, "Business Combinations" ("SFAS 141"), when accounting for business combinations. SFAS 141 requires that we use purchase method of accounting 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 apply FASB Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), when accounting for goodwill and other intangible assets. SFAS 142 requires an annual impairment evaluation of intangibles with indefinite useful lives. To accomplish this annual evaluation, we determine the carrying value of each reporting unit by assigning assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of evaluation. For purposes of evaluating SFAS 142, we define reporting units as Investment Management, Americas IOS, Australia IOS, Asia IOS, and by country groupings in Europe IOS. We completed the 2003 evaluation in the third quarter of 2003 and concluded that the fair value of each reporting unit exceeded its carrying amount and therefore we did not recognize an impairment loss. There were no triggering events since this evaluation that would have required an impairment evaluation. We anticipate finalizing the formal 2004 annual impairment evaluation in the fourth quarter of 2004.

We have $346.8 million of unamortized intangibles and goodwill as of September 30, 2004, that are subject to the provisions of SFAS 142. A significant portion of these unamortized intangibles and goodwill are denominated in currencies other than U.S. dollars, which means that a portion of the movements in the reported book value of these balances are attributable to movements in foreign currency exchange rates. The tables below set forth further details on the foreign exchange impact on intangible and goodwill balances. Of the $346.8 million of unamortized intangibles and goodwill, $335.3 million represents goodwill with indefinite useful lives, which we ceased amortizing January 1, 2002. The remaining $11.5 million of identified intangibles (principally representing management contracts acquired) will be amortized over their remaining definite useful lives (with a maximum of three years remaining).

The Americas IOS business has completed two acquisitions during the nine months ended September 30, 2004. As a result of these acquisitions we have paid purchase consideration of $509,000, recorded liabilities for future purchase consideration of $3.6 million and recorded $2.0 million of goodwill with indefinite useful lives and $2.1 million of intangibles with definite useful lives, which represents the value of contracts acquired as part of the business acquisition. The acquisitions include certain earn-out and retention provisions that may ultimately impact the actual amounts that will be paid.

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 ($ in thousands):

	Investor and Occupier Services			Investment Management	Consolidated
	Americas	Europe	Asia Pacific		
Gross Carrying Amount					
Balance as of January 1, 2004 . .	$179,354	65,200	93,577	34,192	372,323
Acquisitions	2,032	--	--	--	2,032
Impact of exchange rate movements . .	(75)	463	(1,584)	369	(827)
Balance as of September 30, 2004	$181,311	65,663	91,993	34,561	373,528
Accumulated Amortization					
Balance as of January 1, 2004 . .	$(15,531)	(5,254)	(6,619)	(10,765)	(38,169)
Impact of exchange rate movements . .	61	(110)	22	(62)	(89)
Balance as of September 30, 2004	$(15,470)	(5,364)	(6,597)	(10,827)	(38,258)
Net book value as of September 30, 2004	$165,841	60,299	85,396	23,734	335,270

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

	Investor and Occupier Services			Investment Management	Consolidated
	Americas	Europe	Asia Pacific		
Gross Carrying Amount					
Balance as of January 1, 2004	$ 39,364	911	3,057	5,318	48,650
Acquisitions	2,090	--	--	--	2,090
Impact of exchange rate movements	--	14	(99)	78	(7)
Balance as of September 30, 2004	$ 41,454	925	2,958	5,396	50,733
Accumulated Amortization					
Balance as of January 1, 2004	$(27,274)	(598)	(2,006)	(5,318)	(35,196)
Amortization expense					
- Q1	(1,192)	(29)	(97)	--	(1,318)
- Q2	(1,189)	(29)	(91)	--	(1,309)
- Q3	(1,363)	(29)	(90)	--	(1,482)
Impact of exchange rate movements	(5)	21	158	(78)	96
Balance as of September 30, 2004	$(31,023)	(664)	(2,126)	(5,396)	(39,209)
Net book value as of September 30, 2004	$ 10,431	261	832	--	11,524

ESTIMATED ANNUAL AMORTIZATION EXPENSE	
Remaining 2004 Amortization	$1.4 million
For Year Ended 12/31/05	$5.2 million
For Year Ended 12/31/06	$3.7 million
For Year Ended 12/31/07	$500,000
For Year Ended 12/31/08	$500,000
For Year Ended 12/31/09	$200,000

(5) NEW ACCOUNTING STANDARDS

ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

We adopted the provisions of FASB Statement No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), as of January 1, 2003. SFAS 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset. Operating leases for space we occupy in certain of our Asian markets contain obligations that would require us, on termination of the lease, to reinstate the space to its original condition. We have assessed our liability under such obligations as required by the adoption of SFAS 143. This did not have a material impact on our financial statements.

ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

We apply FASB Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"), which 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. The adoption of SFAS 146 did not have a material impact on our financial statements.

ACCOUNTING AND DISCLOSURE BY GUARANTORS

We apply FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The Company has not entered into, or modified, guarantees pursuant to the recognition provisions of FIN 45 that have had a significant impact on the financial statements during the three and nine months ended September 30, 2004. Guarantees covered by the disclosure provisions of FIN 45 are discussed in Note 3, the "Liquidity and Capital Resources" section within Item 2., "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein.

CONSOLIDATION OF VARIABLE INTEREST ENTITIES

In December 2003, the FASB issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" ("FIN 46-R"), which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights, and accordingly should consolidate the entity. FIN 46-R replaces FASB Interpretation No. 46, which was issued in January 2003. The provisions of FIN 46-R were applied as required to all entities subject to the Interpretation effective the beginning of the quarter ended June 30, 2004. The adoption of FIN 46-R has not had a material impact on our financial statements.

ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY

In May 2003, the FASB issued Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer, specifically:

- a mandatorily redeemable financial instrument,
- an obligation to repurchase the issuer's equity, and
- certain obligations to issue a variable number of shares.

SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The FASB is in the process of providing additional guidance related to SFAS 150. The effective date has been deferred indefinitely for certain types of mandatorily redeemable financial instruments. At this time we do not believe that we have any financial instruments that are subject to the standards of SFAS 150.

DEFINED BENEFIT PENSION PLAN DISCLOSURES

In December 2003, the FASB issued Statement No. 132 (revised), "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("SFAS 132-R"). SFAS 132-R revises the employers' disclosure requirements regarding defined benefit pension plans contained in the original FASB Statement No. 132; it does not change the measurement or recognition of those plans. SFAS 132-R also requires additional disclosure about the assets, obligations, cash flows, and net periodic benefit cost of these plans. SFAS 132-R is generally effective for fiscal years ending after December 15, 2003 for U.S. based plans, and applies to non-U.S. based plans for fiscal years ending after June 15, 2004. As our defined benefit pension plans are non-U.S. based, the additional disclosure required under SFAS 132-R will be required in our annual report for the year ended December 31, 2004.

(6) RETIREMENT PLANS

We maintain contributory defined benefit pension plans in the United Kingdom, Ireland and Holland to provide retirement benefits to eligible employees. On January 1, 2003 we curtailed the United Kingdom defined benefit plan and implemented a defined contribution plan. No gain or loss was required to be recognized as a result of the curtailment.

In the twelve months ended December 31, 2003, we made $3.0 million of contributions to these plans, of which $0.7 million was contributed by September 30, 2003. Our estimated contributions to these plans for the twelve months ended December 31, 2004 are $4.0 million, $2.7 million of which has been contributed at September 30, 2004. The following table details the components of our net periodic pension cost.

	Nine Months Ended September 30,	
	2004	2003
Net periodic pension cost:		
Employer service cost	$2,097	1,627
Interest cost on projected benefit obligations	5,363	4,514
Expected return on plan assets	(6,587)	(4,926)
Net amortization/deferrals	26	23
Recognized actual loss	--	379
Total net periodic pension cost	$ 899	1,617

On January 1, 2003, we curtailed the United Kingdom defined benefit plan and implemented a defined contribution plan. No gain or loss was required to be recognized as a result of the curtailment. As part of the curtailment we were statutorily required to provide a minimum level of future benefit increase, which caused our accumulated benefit obligation to increase by $7.9 million at January 1, 2003. After the curtailment, the accumulated benefit obligation exceeded the fair value of plan assets, which meant that, in the first quarter of 2003, we were required under accounting principles generally accepted in the United States of America to record a minimum pension liability through other comprehensive income in stockholders' equity. At December 31, 2003, as a result of the return on plan assets and our pound sterling 1 million ($1.8 million) contribution to the plan, the fair value of the United Kingdom pension plan assets were greater than our accumulated benefit obligation under the plan. As required under accounting principals generally accepted in the United States, we removed our minimum pension liability.

We maintain a contributory defined benefit plan in Ireland to provide retirement benefits to eligible employees. In the third quarter of 2003 we identified that the accumulated benefit obligation of this plan exceeded the fair value of the plan assets by $700,000. The minimum pension liability was equal to the excess accumulated benefit obligation of $700,000 plus the value of the prepaid pension asset of $1.6 million, net of an intangible asset of $400,000 established to record the unrecognized prior service cost. The adjustment to reflect the required minimum pension liability of $1.9 million, net of associated tax benefit of $290,000, was recorded through other comprehensive income in the three and nine months ended September 30, 2003. At December 31, 2003, the fair value of this plan's assets were greater than the accumulated benefit obligation, therefore, no minimum pension liability was required and all amounts were reversed in the fourth quarter.

(7) INVESTMENTS IN REAL ESTATE VENTURES

We invest in certain ventures that own and operate commercial real estate. These investments include non-controlling ownership interests generally ranging from less than 1% to 47.85% of the respective ventures. We generally account for these interests under the equity method of accounting in the accompanying Consolidated Financial Statements due to the nature of the non-controlling ownership. During the three months ended September 30, 2004, the Company borrowed $18.0 million on a short-term basis to fund capital contributions to LaSalle Investment Company ("LIC") which used the funds to acquire specific assets in anticipation of a new fund launch. The $18.0 million of outstanding borrowings is included in the short-term borrowings and investment in and loans to real estate ventures lines of our consolidated balance sheet. We apply the provisions of FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), when evaluating these investments for impairment, including impairment evaluations of the

individual assets held by the investment funds. We recorded impairment charges to equity earnings of $187,000 and $415,000 for the three and nine months ended September 30, 2004, representing our equity share of the impairment charge against individual assets held by these funds. Additional impairment charges recorded for the three months ended September 30, 2004 included certain costs related to the exiting of our Land Investment Group and were recorded to non-recurring expense. For a further discussion of these non-recurring charges see Note 3. For the three and nine months ended September 30, 2003, we recorded impairment charges of $2.6 million and $3.7 million in equity earnings, respectively, representing our equity share of the impairment charge against individual assets held by the investment funds in the period.

(8) SHARE REPURCHASE

On February 27, 2004, we announced that our Board of Directors had approved a share repurchase program. Under the program, we are authorized to repurchase up to 1.5 million shares of our outstanding common stock in the open market and in privately negotiated transactions from time to time, depending upon market prices and other conditions. We repurchased 498,800 shares under this program in the third quarter of 2004 at an average share price of $31.32. We repurchased 1,305,400 shares under this program in the first nine months of 2004 at an average share price of $27.45.

The 2004 repurchase program replaces a program put in place in October 2002, under which we were authorized to repurchase up to 1 million shares. We repurchased 700,000 shares under the 2002 repurchase program.

The repurchase of shares is primarily intended to offset dilution resulting from stock grants made under the Firm's existing stock plans. In accordance with our share repurchase program, shares repurchased are not cancelled but are held by one of our subsidiaries. Repurchased shares are included in our equity account, but are excluded from our earnings per share calculation. As such, we did not include in weighted average shares outstanding shares repurchased in the following periods:

2002	300,000
2003	400,000
2004	1,305,400

(9) REDEMPTION OF EURO NOTES

On July 26, 2000, Jones Lang LaSalle Finance B.V., a wholly-owned subsidiary of Jones Lang LaSalle, issued 9% Senior Euro Notes with an aggregate principal amount of euro 165 million, due 2007 ("the Euro Notes"). On June 15, 2004, we redeemed all of the outstanding Euro Notes at a redemption price of 104.5% of principal. As a result of this redemption we incurred pre-tax expense of $11.6 million in the second quarter of 2004 consisting of the following ($ in thousands):

Call premium paid on Euro Notes	$ 9,012
Acceleration of unamortized debt issuance costs	$ 2,463
Other costs	$ 86
Total Expense of Redemption of Euro Notes . .	$ 11,561

Given the redemption of the Euro Notes, we are no longer required to include Supplemental Condensed Consolidating Financial Statements within these financial statements.

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 nine months ended September 30, 2004, included herein, and Jones Lang LaSalle's audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2003, which have been filed with the United States Securities and Exchange Commission as part of our 2003 Annual Report on Form 10-K and are also available on our website (www.joneslang lasalle.com).

Management's Discussion and Analysis is presented in the following sections:

- Executive summary, including how we create value for our stakeholders,
- Results of Operations
  - Summary of critical accounting policies and estimates,
  - Certain items affecting comparability of results,
  - Analysis of the results of operations, first on a consolidated basis and then for each of our business segments,
  - Analysis of our consolidated cash flows and
- Liquidity and capital resources

EXECUTIVE SUMMARY

BUSINESS OBJECTIVES AND STRATEGIES

We define our stakeholders as the clients we serve, the people we employ and the shareholders who invest in our Company. We create value for these stakeholders by utilizing the expertise of our employees to deliver services to our clients that are acknowledged as adding value, as witnessed by the repeat or expanded product requests they make and the strategic alliances we have formed. The services we provide require "on the ground" expertise in local real estate markets - expertise provided by research of market conditions and trends, expertise in buildings and locations, and expertise in competitive conditions. This real estate expertise is at the heart of the history and strength of the Jones Lang LaSalle brand. We enhance this local market expertise with a global team of research professionals, with the best practice processes we have developed and delivered repetitively for our clients and by the technology investments that support these best practices. Our key differentiating factor is our global reach and service footprint.

Our principal asset is the talent and the expertise of our people. We seek to support our service-based culture through a compensation system that (1) rewards superior client service performance, not just transaction activity, and (2) includes a meaningful long-term compensation component. We invest in training and believe in optimizing our talent base by internal advancement. We believe that our people deliver our services with the experience and expertise to maintain a balance of strong profit margins for the Firm and competitive value-added pricing for our clients, while achieving competitive compensation levels.

Our business is services, and therefore we are not capital intensive. As a result, our profits also produce strong cash returns for our shareholders. Over the last three years, we have strategically used this cash primarily to:

- significantly pay down debt;
- purchase shares under our current share repurchase program;
- invest for growth in important markets in New York, central and southern Europe, India and North Asia; and
- co-invest in LaSalle Investment Management sponsored and managed funds.

We believe value is enhanced by investing appropriately in growth opportunities, maintaining our market position in developed markets and in keeping our balance sheet strong.

The services we deliver are managed as business strategies to enhance the synergies and expertise of our people. The principal businesses in which we are involved are:

- Real Estate Investor Services
- Real Estate Occupier Services
- Real Estate Capital Markets
- Real Estate Money Management

The market knowledge we develop in our real estate services and real estate capital markets helps us identify investment opportunities and capital sources for our money management clients. Consistent with our fiduciary responsibilities, the investments we make or structure on behalf of our money management clients help us identify new business opportunities for our real estate services and real estate capital markets businesses.

BUSINESSES

REAL ESTATE INVESTOR SERVICES - The real estate services we offer range from client-critical basic best practice process services, such as property management, to sophisticated and complex transactional services, such as leasing, that maximize real estate values. The skill set required to succeed in this environment includes financial knowledge coupled with the delivery of market and property operating organizations, on-going technology investment, and strong cash controls as the business is a fiduciary for client funds. The revenue streams associated with process services have annuity characteristics and tend to be less impacted by underlying economic conditions. The revenue stream associated with the sophisticated and complex transactional services is generally transaction-specific and conditioned upon the successful completion of the transaction. We compete in this area with traditional real estate and property firms. We differentiate ourselves on the basis of qualities such as our local presence aligned with our global platform, our research capability, our technology platform, and our ability to innovate via new products and services.

REAL ESTATE OCCUPIER SERVICES - Our occupier services product offerings have leveraged our real estate services into best practice operations and process capabilities that we can offer corporate clients. The value added to clients is a transformation of their real estate assets into an integral part of their core business strategies, delivered at more effective cost. The Firm's client relationship model drives the business success as delivery of one product successfully sells the next and on-going services. The skill set required to succeed in this environment includes financial and project management, and for some products more technical skills such as engineering. We compete in this area with traditional real estate and property firms. We differentiate ourselves on the basis of qualities such as our integrated global platform, our research capability, our technology platform, and our ability to innovate via best practice products and services. Our strong strategic focus also provides a highly effective point of differentiation from our competitors. We have seen the demand for occupier services by global corporations increase, and we expect this trend to continue as these businesses seek to refocus on their core competencies.

REAL ESTATE CAPITAL MARKETS - Our capital markets product offerings include institutional property sales and acquisitions, real estate financings, private equity placements, portfolio advisory activities, and corporate finance advice and execution. The skill set required to succeed in this environment includes knowledge of real estate value and financial knowledge coupled with delivery of local market expertise as well as connections across geographic borders. Our investment banking services require client relationship skills and consulting capabilities as we act as our client's trusted advisor. The level of demand for these services is impacted by general economic conditions. Our fee structure is generally transaction-specific and conditioned upon the successful completion of the transaction. We compete with consulting and investment banking firms for corporate finance and capital markets transactions. We differentiate ourselves on the basis of qualities such as our global platform, our research capability, our technology platform, and our ability to innovate new products and services.

REAL ESTATE MONEY MANAGEMENT - LaSalle Investment Management provides real estate money management services for large institutions, both in specialized funds and separate account vehicles, as well as for managers of funds. Investing money on behalf of clients requires not just asset selection, but also asset value activities to enhance the asset's performance. The skill set required to succeed in this environment includes knowledge of real estate values - opportunity identification (research), individual asset selection (acquisitions), asset value creation (portfolio management), and investor relations. Our competitors in this area tend to be quite different - investment banks, fund managers and other financial services firms - but they commonly lack the "on the ground" real estate expertise that our global platform provides. We are compensated for our services through a combination of recurring advisory fees that are asset-based, together with incentive fees based on the underlying investment return to our clients, which are generally recognized when agreed upon events or milestones are reached, and equity earnings realized at the exit of individual investments within funds. We have been successful in transitioning the mix of our fees for this business to the more annuity revenue category of advisory fees. Additionally, our strengthened balance sheet, and continued cash generation, position us for expansion in co-investment activity, which we believe will accelerate our growth in assets under management.

SUMMARY OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

An understanding of our accounting policies is necessary for a complete analysis of our results, financial position, liquidity and trends. The preparation of our financial statements requires management to make certain critical accounting estimates that impact the stated amount of assets and liabilities, disclosure of contingent assets and liabilities at

the date of the financial statements, and the reported amount of revenues and expenses during the reporting periods. These accounting estimates are based on management's judgment and are considered to be critical because of their significance to the financial statements and the possibility that future events may differ from current judgments, or that the use of different assumptions could result in materially different estimates. We review these estimates on a periodic basis to ensure reasonableness. However, the amounts we may ultimately realize could differ from such estimated amounts.

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 have been satisfied. Development management fees are generally recognized as billed, which we believe approximates the "percentage of completion" method of accounting. 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 No. 101, "Revenue Recognition" ("SAB 101"), as amended by SAB 104, provides guidance on the application of accounting principles generally accepted in the United States of America 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 101, as amended by SAB 104.

In certain of our businesses, primarily those involving management services, our clients reimburse us for expenses we incur on their behalf. We base the treatment of reimbursable expenses for financial reporting purposes upon the fee structure of the underlying contract. A contract that provides a fixed fee/billing, fully inclusive of all personnel or other recoverable expenses that we incur, and not separately scheduled as such, is reported on a gross basis. This means that our reported revenues include the full billing to our client and our reported expenses include all costs associated with the client. We will account for the contract on a net basis when the fee structure is comprised of at least two distinct elements, namely:

- the fixed management fee and
- a separate component which allows for scheduled reimbursable personnel or other expenses to be billed directly to the client.

This means we include the fixed management fee in reported revenues and we net the reimbursement against expenses. We base this characterization on the following factors which define us as an agent rather than a principal:

- the property owner generally has the authority over hiring practices and the approval of payroll prior to payment by Jones Lang LaSalle;
- Jones Lang LaSalle in certain situations is the primary obligor with respect to the property personnel, but bears little or no credit risk under the terms of the management contract;
- reimbursement to Jones Lang LaSalle is generally completed simultaneously with payment of payroll or soon thereafter; and
- Jones Lang LaSalle generally earns no margin in the arrangement, obtaining reimbursement only for actual costs incurred.

The majority of our service contracts utilize the latter structure and are accounted for on a net basis. We have always presented the above reimbursable contract costs on a net basis in accordance with accounting principles generally accepted in the United States of America. Such costs aggregated $109.4 million and $94.5 million for the three months ended September 30, 2004 and 2003, respectively. Such costs aggregated $316.3 million and $285.4 million for the nine months ended September 30, 2004 and 2003, respectively. This treatment has no impact on operating income (loss), net income (loss) or cash flows.

ACCOUNTS RECEIVABLE - We estimate the allowance necessary to provide for uncollectible accounts receivable. This estimate includes specific accounts for which payment has become unlikely. We also base this estimate on historical experience, combined with a careful review of current developments, with a strong focus on credit quality. The process by which we calculate the allowance begins in the individual business units where specific problem accounts are identified and reserved as part of an overall reserve that is formulaic and driven by the age profile of the receivables. These reserves are then reviewed on a quarterly basis by regional and global management to ensure that they are appropriate. As part of this review, we develop a range of potential reserves on a consistent formulaic basis. We would normally expect that the allowance would fall within this range. The table below sets out certain information regarding our accounts receivable, allowance for uncollectible accounts receivable, range of possible allowance and the bad debt expense we incurred for the nine months ended September 30, 2004 and 2003 ($ in millions).

	Gross Accounts Receivable	Accounts Receivable More Than 90 Days Past Due	Allowance for Uncollectible Accounts Receivable	Maximum Allowance	Minimum Allowance	Year-to-Date Bad Debt Expense
September 30, 2004 . .	$ 239.8	8.7	6.5	7.6	3.8	3.5
September 30, 2003 . .	$ 188.4	8.5	5.6	7.5	3.7	1.8

The bad debt expense recorded for the current year-to-date period includes the settlement of a disputed receivable in Europe in which a settlement expense of $700,000 was incurred in the second quarter of 2004. The additional increase of $1.0 million is due to the timing of certain receivables falling within the age profile of our methodology.

PERIODIC ACCOUNTING FOR INCENTIVE COMPENSATION - In our interim statements, we accrue for incentive compensation based on a formulaic methodology reflective of the payment philosophies of the multiple underlying incentive compensation plans, which are generally measured against revenues or profits. The methodology applies actual revenues recorded as compared to annual forecasted revenues, with the percentages then applied to the total year forecasted compensation costs, both base salary and incentive compensation to determine the estimated related incentive compensation to be accrued. As the majority of the firm's revenues are recorded in the second half of the year, the impact of this methodology is that the majority of incentive compensation is also recorded in the second half of the year. This methodology can create quarterly year over year variability if actual revenues results are substantially different in timing than the prior year or in amount to the forecasted revenue expectations. Actual underlying compensation plan calculations are made at the completion of the year with reconciliation adjustments made in the fourth quarter. We exclude from the standard methodology, any incentive compensation plan that is not subject to performance criteria. These plans are accrued for on a straight line basis.

We have a stock ownership program for certain of our senior employees pursuant to which they receive a portion of their annual incentive compensation in the form of restricted stock units of our common stock. These restricted stock units vest in two parts: 50% at 18 months and 50% at 30 months from the date of grant (January of the year following that for which the bonus was earned). The related compensation cost is amortized to expense over the service period. The service period consists of the 12 months of the year to which payment of the restricted stock relates, plus the periods over which the stock vests. Given that individual incentive compensation awards are not finalized until after year-end, we must estimate the portion of the overall incentive compensation pool that will qualify for this program. This estimation factors in the performance of the Company and individual business units, together with the target bonuses for qualified individuals.

Previously we accounted for the current year impact of this program in the fourth quarter (namely, the enhancement, the deferral and the related amortization) because of the uncertainty around the terms and conditions of the stock ownership program and because the majority of our incentive compensation is accrued in the fourth quarter. Due to the maturity of the program and the commitment to its terms and conditions by the Company and the Compensation Committee of the Board of Directors, we decided to begin accounting for the earned portion of this compensation program on a quarterly basis, starting in the third quarter of 2003. We recognize the benefit of the stock ownership program in a manner consistent with the accrual of the underlying incentive compensation expense. As such, we reduced accrued incentive compensation expense by a net $1.9 million and $5.4 million for the three and nine months ended September 30, 2004, respectively, reflecting the earned portion of the stock ownership program during this time. We recorded a credit of $2.1 million to the income statement in the third quarter of 2003, reflecting the earned portion of the stock ownership program for the first nine months of 2003.

We determine, announce and pay incentive compensation in the first quarter of the year following that to which the incentive compensation relates, at which point we true-up the estimated stock ownership program deferral and related amortization. We believe our methodology in estimating this deferral produces satisfactory results. The table below sets forth the deferral estimated at year-end and the adjustment made in the first quarter of the following year to true-up the deferral and related amortization ($ in millions):

	December 31, 2003	December 31, 2002
Deferral net of related amortization expense	$ 6.7	$ 5.0
Decrease to deferred compensation in the first quarter of the following year	(0.4)	(0.4)

The table below sets out the amortization expense related to the stock ownership program for the three and nine months ended September 30, 2004 and 2003 ($ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Current compensation expense amortization for prior year programs	$ 1.7	1.7	5.9	4.9
Current deferral net of related amortization . . .	(1.9)	(2.1)	(5.4)	(2.1)

ASSET IMPAIRMENT - We apply FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), to recognize and measure impairment of long-lived assets. 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 group 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 group. If impairment exists due to the inability to recover the carrying value of an asset group, we record an impairment loss to the extent that the carrying value exceeds estimated fair value.

We invest in certain real estate ventures that own and operate commercial real estate. These investments include non-controlling ownership interests generally ranging from less than 1% to 47.85% of the respective ventures. We generally account for these interests under the equity method of accounting in the accompanying Consolidated Financial Statements due to the nature of the non-controlling ownership. We apply the provisions of SFAS 144 when evaluating these investments for impairment, including impairment evaluations of the individual assets held by the investment funds. We recorded impairment charges in equity earnings of $187,000 and $415,000 in the three and nine months ending September 30, 2004, representing our equity share of the impairment charge against individual assets held by these funds. In the third quarter of 2004, we also recorded net impairment charges of $2 million in non-recurring and restructuring expense in regard to a land investment group asset. For a further discussion of these non-recurring charges see Note 3. For the three and nine months ended September 30, 2003, we recorded an impairment charge of $2.6 million and $3.7 million, respectively, in equity earnings representing our equity share of the impairment charge against individual assets held by the investment funds in the period.

We apply FASB Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), when we account for goodwill and other intangible assets. SFAS 142 requires an annual impairment evaluation of intangibles with indefinite useful lives. To accomplish this annual evaluation, we determine the carrying value of each reporting unit by assigning assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of evaluation. For purposes of evaluating SFAS 142, we define reporting units as Investment Management, Americas IOS, Australia IOS, Asia IOS, and by country groups in Europe IOS. We determine the fair value of each reporting unit on the basis of a discounted cash flow methodology and compare it to the reporting unit's carrying value. The result of the 2003 evaluation performed in the third quarter of 2003 was that the fair value of each reporting unit exceeded its carrying amount and therefore no impairment loss was recognized. There were no triggering events since that evaluation that would have required an impairment evaluation. We anticipate finalizing the formal 2004 annual impairment evaluation in the fourth quarter of 2004.

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 for taxes in each tax jurisdiction in which we operate based on local tax regulations and rules. Such taxes are provided for on net earnings and include the provision for 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.

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

- our geographic mix of income,
- legislative actions on statutory tax rates,
- the impact of tax planning to reduce losses in jurisdictions where we cannot recognize the tax benefit of those losses, and
- tax planning for jurisdictions affected by double taxation.

We continuously seek to develop and implement potential strategies and/or actions that would reduce our overall effective tax rate. We reflect the benefit from tax planning actions when we believe it is probable that they will be successful, which usually requires that certain actions have been initiated. We provide for the effects of income taxes on interim financial statements based on our estimate of the effective tax rate for the full year. Based on our forecasted results we have estimated an effective tax rate of 28% for 2004. While there can be no assurance that we will achieve an effective tax rate of 28% in 2004, we believe that this is an achievable rate due to the impact of consistent and effective tax planning. For the nine months ended September 30, 2003, we used an estimated effective tax rate of 32% on recurring operations. We ultimately achieved an effective tax rate of 27.7% on recurring operations in 2003, which excluded; (i) a specific tax benefit of $2.2 million related to non-recurring and restructuring items, and (ii) a tax benefit of $3.0 million related to a write-down of an e-commerce investment taken as a restructuring action in 2001, which was not originally expected to be deductible, but which, as a result of actions undertaken in 2003, was deemed deductible.

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

- HEALTH INSURANCE - We chose to self-insure our health benefits for all U.S. based employees for the first time in 2002, although we did purchase stop loss coverage to limit our exposure. We continue to purchase stop loss insurance on an annual basis. We made the decision to self-insure because we believed that on the basis of our historic claims experience, the demographics of our workforce and trends in the health insurance industry, we would incur reduced expense self-insuring our health benefits as opposed to purchasing health insurance through a third-party. We engage an actuary who specializes in health insurance to estimate our likely full-year cost at the beginning of the year and expense this cost on a straight-line basis throughout the year. In the fourth quarter, we employ the same actuary to estimate the required reserve for unpaid health costs for the current year that we would need at year-end. With regard to the year-end reserve, the actuary provides us with a point estimate, which we accrue; additionally, in the first year of this program we accrued a provision for adverse deviation. Analysis of claim expense run-off was performed related to the 2002 and 2003 reserves which resulted in a decision being made that we should release $679,000 to

the income statement in the third quarter of 2004. This compared to an adjustment of $780,000 in the third quarter of 2003. Given the nature of medical claims, it may take up to 24 months for claims to be processed and recorded. The reserve balance for the 2002 program is $6,000 at September 30, 2004. The reserve balance for the 2003 program at September 30, 2004 is $241,225.

The table below sets out certain information related to the cost of this program for the three and nine months ended September 30, 2004 and 2003 ($ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Expense to Company	$ 4.0	3.2	11.7	9.4
Employee contributions	0.9	0.8	2.5	2.2
Adjustment to prior year reserve	(0.7)	(0.8)	(0.7)	(0.8)
Total program cost	$ 4.2	3.2	13.5	10.8

- WORKERS' COMPENSATION INSURANCE - Given our belief, based on historical experience, that our workforce has experienced lower costs than is normal for our industry, we have been self-insured for workers' compensation insurance for a number of years. We purchase stop loss coverage to limit our exposure to large, individual claims. On a periodic basis we accrue using the various state rates based on job classifications, engaging on an annual basis in the third quarter, an independent actuary who specializes in workers' compensation to estimate our exposure based on actual experience. Given the significant judgmental issues involved in this evaluation, the actuary provides us a range of potential exposure and we reserve within that range. We accrue for the estimated adjustment to revenues for the difference between the actuarial estimate and our reserve on a periodic basis. The credit taken to revenue for the three months ended September 30, 2004 and 2003 was $2.2 million and $1.6 million, respectively. The credit taken to revenue for the nine months ended September 30, 2004 and 2003 was $3.2 million and $2.5 million, respectively. Due to the nature of workers' compensation claims, it may take a number of years for claims to be settled. The table below provides the reserve balance by plan year that we have established ($ in millions):

	September 30, 2004	December 31, 2003
2004	$ 4.0	na
2003 and prior	2.2	7.1
	$ 6.2	7.1

- CAPTIVE INSURANCE COMPANY - In order to better manage our global insurance program, and support our risk management efforts, we supplement our traditional insurance program by the use of a captive insurance company to provide professional indemnity insurance coverage on a "claims made" basis. In the past, we have utilized this in certain of our international operations, but effective March 31, 2004, as part of the renewal of our global professional indemnity insurance program, we expanded the scope of the use of the captive to provide coverage to our entire business. This expansion has increased the level of risk retained by our captive to up to $2.5 million per claim (dependent upon location) and up to $12.5 million

in the aggregate. Professional indemnity insurance claims can be complex and take a number of years to resolve. We are required to estimate the ultimate cost of these claims. This estimate includes specific claim reserves that are developed on the basis of a review of the circumstances of the individual claim, which are updated on a periodic basis. In addition, given that the timeframe for these reviews may be lengthy, we also provide a reserve against the current year exposures on the basis of our historic loss ratio. The increase in the level of risk retained by the captive means that we would expect that the quantum and the volatility of our estimate of reserves will be increased over time. Our third quarter review of claims for the insurance years prior to March 31, 2004 found that as a result of current adverse claim developments, there was a need to strengthen the claim reserves for certain European claims by $1.6 million, which was charged to operating expense in the three months ended September 30, 2004. This strengthening of the claim reserves increased the historic loss ratio that is the basis of the reserve for the current insurance year exposures which resulted in an incremental $300,000 of expense being booked in the three months ending September 30, 2004. The table below provides the reserve balance, which relates to multiple years, that we have established as of ($ in millions):

September 30, 2004	$5.9 million
September 30, 2003	$2.4 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. Many of these claims are covered under our current insurance programs, subject to deductibles. 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. Please see Part II "Other Information" Item 1., "Legal Proceedings" for a discussion of certain legal proceedings.

RESULTS OF OPERATIONS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED TO THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003

ITEMS AFFECTING COMPARABILITY OF RESULTS

LASALLE INVESTMENT MANAGEMENT REVENUES

Our real estate money management business is in part compensated through the receipt of incentive fees when investment performance exceeds agreed benchmark levels. Depending upon performance, these fees can be significant and will generally be recognized when agreed events or milestones are reached. Equity earnings from unconsolidated ventures may also vary substantially from period to period for a variety of reasons, including as a result of:

- realized gains on asset dispositions, or
- incentive fees recorded as equity earnings, or
- impairment charges.

The timing of recognition may impact comparability between quarters, in any one year, or compared to a prior year.

FOREIGN CURRENCY

We operate in a variety of currencies in 34 countries, but report our results in U.S. dollars. This means that our reported results may be positively or negatively impacted by the volatility of currencies against the U.S. dollar. This volatility makes it more difficult to perform period-to-period comparisons of the reported results of operations. As an example, the euro, the pound sterling and the Australian dollar, each a currency used in a significant portion of our operations, were all considerably stronger during the first nine months of 2004 compared to the same period in 2003. This means that for those businesses located in jurisdictions that utilize these currencies, the U.S. dollar reported revenues and expenses in the first nine months of 2004 demonstrate an apparent growth rate that is not consistent with the real underlying growth rate in the local operations. In order to provide more meaningful period-to-period comparisons of the reported results of operations in our discussion and analysis of financial condition and results of operations, we have provided information about the impact of foreign currencies where we believe that it is necessary. In addition, set out below is guidance as to the key currencies that the Company does business in and their significance to reported revenues and operating results. The operating results sourced in pound sterling and U.S. dollars understates the profitability of the businesses in the United Kingdom and the United States of America because they include the locally incurred expenses of our global offices in London and Chicago, respectively, as well as the European regional office in London. The revenues and operating income of the global investment management business are allocated to their underlying currency, which means that this analysis may not be consistent with the performance of the geographic IOS segments. In particular, as incentive fees are earned by this business, there may be significant shifts in the geographic mix of revenues and operating income. The following table sets forth revenues and operating income (loss) derived from our most significant currencies ($ in millions, except for exchange rates).

	Pound Sterling	Euro	Australian Dollar	US Dollar	Other	Total
REVENUES						
Q1, 2004 . .	$ 50.5	43.5	17.6	77.9	33.3	222.8
Q2, 2004 . .	56.2	48.2	23.4	94.3	48.8	270.9
Q3, 2004 . .	59.6	40.7	23.9	102.2	44.5	270.9
	$ 166.3	132.4	64.9	274.4	126.6	764.6
Q1, 2003 . .	$ 37.7	37.2	13.7	70.0	29.3	187.9
Q2, 2003 . .	43.9	36.5	18.7	75.9	38.6	213.6
Q3, 2003 . .	50.7	36.7	19.6	84.0	27.1	218.1
	$ 132.3	110.4	52.0	229.9	95.0	619.6
OPERATING INCOME (LOSS)						
Q1, 2004 . .	$ (2.5)	4.8	(1.5)	(3.4)	(2.0)	(4.6)
Q2, 2004 . .	1.6	4.9	2.2	9.2	4.3	22.2
Q3, 2004 . .	4.5	(0.5)	6.2	8.6	3.5	22.3
	$ 3.6	9.2	6.9	14.4	5.8	39.9
Q1, 2003 . .	$ (2.6)	2.9	(1.4)	(2.4)	(3.4)	(6.9)
Q2, 2003 . .	(0.4)	0.1	(4.1)	1.9	5.3	2.8
Q3, 2003 . .	4.8	1.9	0.7	7.4	1.2	16.0
	$ 1.8	4.9	(4.8)	6.9	3.1	11.9

	Pound Sterling	Euro	Australian Dollar	US Dollar	Other
AVERAGE EXCHANGE RATES					
Q1, 2004 . .	1.842	1.246	0.764	N/A	N/A
Q2, 2004 . .	1.811	1.206	0.710	N/A	N/A
Q3, 2004 . .	1.817	1.223	0.710	N/A	N/A
Q1, 2003 . .	1.600	1.075	0.595	N/A	N/A
Q2, 2003 . .	1.624	1.140	0.644	N/A	N/A
Q3, 2003 . .	1.617	1.130	0.656	N/A	N/A

In order to provide more meaningful period-to-period comparison of the reported results, we have included the below table which details the movements in certain reported U.S. dollar lines of the Consolidated Statement of Earnings ($ in millions) (nm = not meaningful).

	Three Months Ended September 30,		Increase/ (Decrease) in U.S. Dollars		% Change in Local Currency
	2004	2003			
Total revenue . .	$271.0	218.1	52.9	24.3%	17.4%
Compensation & benefits . .	175.0	137.3	37.7	27.5%	20.3%
Operating, administrative & other . . .	66.7	57.2	9.5	16.6%	10.6%
Depreciation & amortization	8.4	9.1	(0.7)	(7.7%)	(11.1%)
Non-recurring .	(1.4)	(1.5)	0.1	nm	nm
Total operating expenses	248.7	202.1	46.6	23.1%	16.3%
Operating income	$ 22.3	16.0	6.3	39.4%	32.0%

	Nine Months Ended September 30,		Increase/ (Decrease) in U.S. Dollars		% Change in Local Currency
	2004	2003			
Total revenue . .	$764.6	619.5	145.1	23.4%	16.0%
Compensation & benefits . .	505.5	407.0	98.5	24.2%	16.4%
Operating, administrative & other . . .	196.9	169.8	27.1	16.0%	9.0%
Depreciation & amortization	24.7	28.1	(3.4)	(12.1%)	(16.9%)
Non-recurring .	(2.4)	2.7	(5.1)	nm	nm
Total operating expenses	724.7	607.6	117.1	19.3%	11.9%
Operating income	$ 39.9	11.9	28.0	nm	nm

REVENUE

The increase in local currency revenues of 17.4% and 16.0% for the three and nine months ended September 30, 2004, respectively, continues to reflect improved revenue performance across our businesses globally. This improvement is a result of increased transaction activity as a trend towards economic recovery around the world continues to restore client activity. For example, we are experiencing an increase in both local and cross border capital markets transactions in Europe. The growth markets of India and North Asia in Asia Pacific continue to significantly out perform the prior year and our Americas transaction business continues to deliver strong performance, capitalizing on a trend towards increased deal volume and increased deal size. In addition, the Hotels business continues to deliver on its position as "advisor of choice" for key industry participants, once again seeing increased revenue when compared to the prior year. In addition, the strength of real estate as an investment class has increased opportunities for the Real Estate Money Management business to realize value for clients. This generated higher equity earnings where the firm co-invested alongside clients, as well as incentive fees as the firm continued to deliver investment performance exceeding targeted returns.

OPERATING EXPENSE

The increase in U.S dollar operating expenses for the three and nine months ended September 30, 2004 of 23.1% and 19.3%, respectively, reflects the general strengthening of our key currencies against the U.S. dollar. Excluding the impact of movements in foreign currency exchange rates, the increase in operating expenses of 16.3% and 11.9% for the quarter and the year-to-date, respectively. The increase in expenses for both the quarter and year is primarily due to incentive compensation accruals, the timing of which is the result of the stronger year-over-year revenue performance as well as the timing of revenue increases. A further discussion of our periodic accounting for incentive compensation can be found in Summary of Critical Accounting Policies and Estimates contained herein. Compensation and benefits expense has also increased as we continue to invest in growth markets to build on and strengthen our market presence.

The increase in operating, administrative and other expense, exclusive of movements in foreign currency exchange rates, of 10.6% and 9.0% for the three and nine months ended September 30, 2004, respectively, can be attributed to business and revenue generation related costs matching increased business activity. In addition, insurance expense increased over the prior year as a third quarter review of our captive insurance claims found that as a result of current adverse developments, there was a need to strengthen our reserves for certain prior year claims.

The most significant component of our non-recurring and restructuring expense for the three and nine months ended September 30, 2004 is a credit related to the settlement of litigation we were pursuing related to the abandonment of a property management accounting system in our Australian business. The credit relates to the first installment payment of the settlement and is partially offset by legal costs incurred during the three and nine months ended September 30, 2004 to pursue the litigation. Also included in non-recurring expense for the third quarter was impairment related to our Land Investment Group, which we closed in 2001 and costs related to excess leased space as a result of our 2002 restructuring.

For the three months ended September 30, 2003, the most significant component of our non-recurring and restructuring expense was a credit related to our 2002 global restructuring program as a combination of new client wins and expanded assignments for existing clients resulted in the permanent reevaluation of planned headcount reductions. For the nine months ended September 30, 2003 the most significant component of our non-recurring and restructuring expense was a charge related to the abandonment of the property management accounting system mentioned above. The charge was recorded after the completion of a feasibility analysis concluded that

the potential benefits from successfully correcting deficiencies in the system that would allow it to be implemented throughout Australia were not justified by the costs that would have to be incurred to do so. A further discussion of non-recurring and restructuring charges and credits can be found in Note 3 to Notes to Consolidated Financial Statements.

INTEREST EXPENSE

Interest expense, net of interest income, decreased $3.7 million, or 78.7%, for the three months ended September 30, 2004 when compared to the same period of 2003. For the nine months ended September 30, 2004, interest expense, net of interest income, decreased $5.3 million, or 38.7%, when compared to the same period of 2003. The decrease in interest expense, net of interest income, can be attributed to redemption of the Euro Notes discussed in the following paragraph and our continued focus on debt reduction.

On June 15, 2004, we redeemed all of the outstanding Euro Notes at a redemption price of 104.5% of principal. We incurred pre-tax expense of $11.6 million which includes the premiums paid ($9.0 million) to redeem the Euro Notes and the acceleration of debt issuance cost amortization ($2.5 million). We expect the redemption of the Euro Notes to provide saving of approximately $5 million to $6 million in 2004, dependent upon prevailing interest rates and exchange rates. This is due to the favorable credit facility pricing which ranges from LIBOR plus 100 basis points to LIBOR plus 225 basis points compared to the Euro Notes which carried a fixed 9% interest rate.

PROVISION (BENEFIT) FOR INCOME TAXES

For the three months ended September 30, 2004, the provision for income taxes was $6.0 million as compared to a provision of $3.9 million for the three months ended September 30, 2003. For the nine months ended September 30, 2004, the provision for income taxes was $5.6 million as compared to a benefit of $590,000 for the nine months ended September 30, 2003. The change in income tax is due to improved operating income and net income (loss) before taxes in both the three and nine months ended September 30, 2004 when compared to the same periods in 2003. Our estimated effective tax rate for the nine months ended September 30, 2004 was 28%, as compared to 32% for the same period last year. This rate improvement has favorably affected the results for the third quarter and the year-to-date as we are in a profit position. See the Income Tax Provision section of Note 1 to Notes to Consolidated Financial Statements for a further discussion of our effective tax rate.

NET INCOME (LOSS)

For the three months ended September 30, 2004, we had a net income of $15.3 million, an increase of $7.9 million from a net income of $7.4 million for the same period in 2003. For the nine months ended September 30, 2004, we had a net income of $14.3 million, which is an improvement of $15.6 million from the net loss of $1.3 million for nine months ended September 30, 2003.

SEGMENT OPERATING RESULTS

We manage our business along a combination of functional and geographic lines. We report our operations as four business segments:

- Investment Management, which offers Real Estate Money Management services on a global basis,

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

- Americas,
- Europe and
- Asia Pacific,

each of which offers our full range of Real Estate Investor Services, Real Estate Capital Markets and Real Estate Occupier Services. The Investment Management segment provides Real Estate Money Management services to institutional investors and high-net-worth individuals. The IOS business consists primarily of tenant representation and agency leasing, capital markets and valuation services (collectively "implementation services") and property management, facilities management services, project and development services (collectively "management services").

We have not allocated non-recurring and restructuring charges to the business segments for segment reporting purposes and therefore these costs are not included in the discussions below.

INVESTOR AND OCCUPIER SERVICES

AMERICAS

	Three Months Ended September 30,		Increase in U.S. Dollars	
	2004	2003		
Total revenue	$ 83.6	68.3	15.3	22.4%
Total operating expense .	73.8	60.5	13.3	22.0%
Operating income	9.8	7.8	2.0	25.6%

	Nine Months Ended September 30,		Increase in U.S. Dollars	
	2004	2003		
Total revenue	$228.5	194.5	34.0	17.5%
Total operating expenses	211.9	185.5	26.4	14.2%
Operating income	16.6	9.0	7.6	84.4%

The Americas operating performance continued to improve as a result of the strengthening economy and the favorable execution of its core businesses and strategic investments, demonstrated by revenues up 22% in the quarter and 18% year to date. Transactional volumes and related revenues increased significantly compared to the third quarter of 2003 due to increased client confidence. Where clients had been delaying real estate activities in recent years, we are now seeing clients progressing with real estate decisions to take advantage of lower lease rental rates, high property values and prospects of growth ahead. The Real Estate Occupier Services business, marketed as Corporate Solutions, generates over 55% of the region's income and grew 23% from the prior year's quarter. Within this business, tenant representation revenues, which are recorded in implementation services revenues, increased over 60% in what is traditionally a slow quarter. Also, corporate facility outsourcings continued to demonstrate strong growth, as evidenced by an increase of nearly 70 million square feet under management as compared to the prior year, bringing the total portfolio to approximately 240 million square feet. During the quarter, strategic investments in New York continued while the project and development capabilities expanded by acquiring Quartararo & Associates, a 40-person consultative project management company. Year-to-date New York performance is up over 35% when compared to the prior year. Our global brand, market presence and leadership position enabled the Americas Hotels business to achieve revenue growth of more than 30% year over year. In the leasing and management group, leasing-only assignments continue to be emphasized as many large property owners undertake self management, reducing managed portfolio revenues. Offsetting this trend, the firm's decision in September to renew its global headquarters location in Chicago resulted in establishing a new client relationship with Wells Real Estate Funds, which retained the firm to lease and manage an eight-property, 4.8-million-square-foot portfolio.

The increase in operating expenses is primarily due to increased incentive compensation accruals, which are a result of the timing of the strong revenue performance for the three and nine months ended September 30, 2004 when compared to the same periods of 2003. Salary and related payroll taxes have also increased as we have aligned our staffing with the increased client demand.

In the third quarter, the Americas validated its commitment to quality service and its people strategies by being named 15th in Chicago magazine's listing of the 25 Best Places to Work.

EUROPE

	Three Months Ended September 30,		Increase in U.S. Dollars		% Change in Local Currency
	2004	2003			
Total revenue . . .	$ 99.5	81.9	17.6	21.5%	9.9%
Total operating expense	96.6	79.3	17.3	21.8%	10.7%
Operating income .	2.9	2.6	0.3	11.5%	(11.0%)

	Nine Months Ended September 30,		Increase in U.S. Dollars		% Change in Local Currency
	2004	2003			
Total revenue . . .	$291.8	235.2	56.6	24.1%	11.8%
Total operating expenses	285.7	231.7	54.0	23.3%	11.4%
Operating income .	6.1	3.5	2.6	74.3%	33.3%

The European region saw the positive revenue momentum of the first six months continue in the third quarter. In local currencies, revenue in the quarter and year to date increased 10 percent and 12 percent, respectively. Revenue growth was led by increasing activity in the leasing markets in France and England, together with the continuing strength of sentiment around property as an investment class driving a strong capital markets performance, both of which are recorded in implementation services revenues. Russia and Central Europe, locations where significant additional resources have been invested in the last two years, continued to see strong growth. Our ability to serve increasing client demand in these rapidly growing markets was illustrated by the closure of a significant capital markets transaction in Prague in the quarter, the largest ever office investment in the Czech Republic. The Irish and Spanish markets also experienced revenue strength and the European Hotels business continues to perform strongly.

The increase in operating expense for the three and nine months ended September 30, 2004 is primarily due to the timing of increased incentive compensation accruals which reflects the significantly increased revenues over the prior year period. Also in the quarter, were $1.6 million of increased insurance reserves in the English business relating to claims outstanding from prior insurance years.

ASIA PACIFIC

	Three Months Ended September 30,		Increase in U.S. Dollars		% Change in Local Currency
	2004	2003			
Total revenue . . .	$ 56.2	42.1	14.1	33.5%	26.0%
Total operating expense	54.5	42.6	11.9	27.9%	21.2%
Operating income (loss)	1.7	(0.5)	2.2	nm	nm

	Nine Months Ended September 30,		Increase in U.S. Dollars		% Change in Local Currency
	2004	2003			
Total revenue . . .	$148.3	115.9	32.4	28.0%	18.8%
Total operating expenses	150.1	121.2	28.9	23.8%	14.0%
Operating loss . .	(1.8)	(5.3)	3.5	66.0%	74.0%

Our investment in Asia Pacific continues to realize the benefits of the region's economic recovery which began in 2003, as well as continued multinational expansion and outsourcing trend. The improved revenue performance of 26.0% and 18.8% for the three and nine months ended September 30, 2004, respectively, demonstrates a continued positive revenue trend for the region. Revenue increases of approximately 50% for the quarter and year-to-date were dominated by our growth markets of India and North Asia markets of China and Japan, led by the continuation of outsourcing and off-shoring trends. The core market of Hong Kong also had strong revenue growth, reflecting improved sentiment in the local economy overall and resulting in increased transaction activity levels maximized by the firm's leading market position. The Asia Pacific Hotels business also had a very strong performance, particularly in the core market of Australia.

The increase in local currency operating expense for the three and nine months is primarily related to compensation costs due to our investment in headcount costs to build scale and maintain service levels in key markets, particularly North Asia and India and other revenue generation related costs that match increased business activity. Also contributing to the increase in operating expenses is the timing of incentive compensation accruals which are a result of strong revenue performance over the prior year.

Operating income of $1.7 million for the quarter reduced the year-to-date operating loss to $1.8 million, a significant improvement over the prior year operating losses of $500,000 and $5.3 million for the quarter and year-to-date, respectively.

INVESTMENT MANAGEMENT

	Three Months Ended September 30,		Increase in U.S. Dollars		% Change in Local Currency
	2004	2003			
Total revenue . . .	$ 31.8	25.9	5.9	22.8%	16.1%
Total operating expense	25.3	21.3	4.0	18.8%	12.1%
Operating income .	6.5	4.6	1.9	41.3%	35.3%

	Nine Months Ended September 30,		Increase in U.S. Dollars		% Change in Local Currency
	2004	2003			
Total revenue . . .	$ 96.6	74.3	22.3	30.0%	22.3%
Total operating expenses	80.0	66.9	13.1	19.6%	12.3%
Operating income .	16.6	7.4	9.2	nm	nm

The increase in local currency revenue for both the three and nine months ended September 30, 2004 is primarily driven by increased transaction fees, incentive fees and equity earnings realized from asset sales where performance exceeded expectations. The current real estate market is attractive for realizing value for clients in a shorter timeframe than originally planned. As a result, significant incentive fees were realized for both a high performing separate account portfolio as well as for the sale of individual assets owned by a commingled fund. Additionally, equity earnings increased when compared to the prior year due to recognition of impairment charges of $2.6 million and $3.7 million for the three and nine months ended September 30, 2003, respectively. Impairment charges for the three and nine months ended September 30, 2004 totaled $187,000 and $415,000, respectively. Transaction fees related to favorable volumes of acquisitions across all three geographic regions also bolstered revenue levels. Increases of $1.7 million and $3.8 million were realized for the three and nine months ended September 30, 2004, respectively.

The increase in operating expense for the three and nine months ended September 30, 2004 is primarily the result of increased incentive compensation accruals and other revenue generation related costs that match increased business activity.

Co-investment capital increased $24.6 million in the quarter and $19.7 million year-to-date as an increase in acquisition activity was partially offset by asset sales. The $24.6 million included $18.0 million contributed to LIC which used the funds to acquire specific assets in anticipation of a new fund launch.

PERFORMANCE OUTLOOK

The strong momentum shown in the firm's results for the year to date is expected to continue into the seasonally strong fourth quarter. Full year diluted earnings, excluding the costs of both the early redemption of the Euro Notes ($0.26 per share) and all non-recurring items, are expected to exceed $1.60 per share.

CONSOLIDATED CASH FLOWS

The following table presents summarized consolidated statements of cash flows. For detailed cash flow statements, please reference our full financial statements contained herein ($ in thousands):

	Nine Months Ended September 30,	
	2004	2003
Cash provided by earnings	$ 51.6	46.4
Cash used in working capital	(15.2)	(11.1)
Cash provided by operating activities	36.4	35.3
Cash used in investing activities	(35.4)	(7.6)
Cash used in financing activities	(42.5)	(27.8)
Net decrease in cash	(41.5)	(.1)
Cash and cash equivalents, beginning of period	63.1	13.7
Cash and cash equivalents, end of period	$ 21.6	13.6

CASH FLOWS USED IN OPERATING ACTIVITIES

During the nine months ended September 30, 2004 cash flows provided by operating activities totaled $36.4 million, as compared to $35.3 million during the nine months ended September 30, 2003. The cash flows used in operating activities for the nine months ended September 30, 2004 can be further divided into cash generated from earnings of $51.6 million (compared to $46.4 million generated in 2003) and cash used in balance sheet movements (primarily working capital management) of $15.2 million (compared to a use of $11.1 million in 2003).

CASH FLOWS USED IN INVESTING ACTIVITIES

Investing activities used $35.4 million during the nine months ended September 30, 2004, as compared to $7.6 million used during the nine months ended September 30, 2003. Included in cash used in investing activities is $18.0 million which was contributed to LIC which used the funds to purchase specific assets in anticipation of a new fund launch.

CASH FLOWS USED IN FINANCING ACTIVITIES

Cash flows used in financing activities were $42.5 million during the nine months ended September 30, 2004, as compared to $27.8 million used during the nine months ended September 30, 2003. During the first nine months of 2004 we used $35.8 million to repurchase shares of our common stock where there were no similar repurchases in the same period in 2003. In the third quarter of 2004, the Company borrowed $18.0 million on a short-term basis to fund capital contributions to LIC which used the funds to acquire specific assets in anticipation of a new fund launch.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents our net debt and cash as of the periods shown ($ in thousands):

	September 30, 2004	December 31, 2003	September 30, 2003
Cash	$ 21,628	63,105	13,601
Euro Notes	--	207,816	192,323
Other Debt	188,030	3,592	16,052
Net Debt and Cash . . .	$166,402	148,303	194,774

Historically, we have financed our operations, acquisitions and co-investment activities with internally generated funds, our common stock and borrowings under our credit facilities. On April 13, 2004, we renegotiated our unsecured revolving credit facility agreement increasing the facility from $225 million to $325 million and extended the term to 2007 from its previous maturity in 2006. There are currently fourteen participating banks in our revolving credit facility. Pricing on this facility ranges from LIBOR plus 100 basis points to LIBOR plus 225 basis points dependent upon our leverage ratio. Our current pricing on the revolving credit facility is LIBOR plus 125 basis points. This amended facility will continue to be utilized for working capital needs, investments and acquisitions. On June 15, 2004, we utilized the revolving credit facility to redeem all of the outstanding Euro Notes at a redemption price of 104.5% of principal. We incurred pre-tax expense of $11.6 million which includes the premiums paid ($9.0 million) to redeem the Euro Notes and the acceleration of debt issuance cost amortization ($2.5 million). We expect the redemption of the Euro Notes to provide savings of approximately $5 million to $6 million in 2004, dependent upon prevailing interest rates and exchange rates. This savings is due to the favorable credit facility pricing compared to the Euro Notes which carried a 9% interest rate.

As of September 30, 2004, we had $160.8 million outstanding under the revolving credit facility, primarily a result of redeeming the Euro Notes on June 15, 2004. A portion of the borrowing on the credit facility was made in euros (euro 75 million) with the remaining borrowings denominated in U.S. dollars. The average borrowing rate on the revolving credit agreement and the Euro Notes ("the facilities") during the first nine months of 2004 was 6.9% versus 8.2% for the same period of 2003. We also had short-term borrowings (including capital lease obligations) of $27.2 million outstanding at September 30, 2004 which includes outstanding borrowings related to certain of our co-investments discussed below. As of September 30, 2004, $7.1 million of the total short-term borrowings were attributable to local overdraft facilities.

Jones Lang LaSalle and certain of our subsidiaries guarantee the revolving credit facility. In addition, we guarantee the local overdraft facilities of certain subsidiaries. Third-party lenders request these guarantees to ensure payment by the Company in the event that one of our subsidiaries fails to repay its borrowing on an overdraft facility. The guarantees typically have one-year or two-year maturities. We apply FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), to recognize and measure the provisions of guarantees. The guarantees of the revolving credit facility, Euro Notes and local overdraft facilities do not meet the recognition provisions, but do meet the disclosure requirements of FIN 45. We have local overdraft facilities totaling $37.5 million, of which $7.1 million was outstanding as of September 30, 2004. We have provided guarantees of $28.1 million related to the local overdraft facilities, as well as guarantees related to the $325 million revolving credit facility, which in total represent the maximum future payments that Jones Lang LaSalle could be required to make under the guarantees provided for subsidiaries' third-party debt.

With respect to the amended revolving credit facility, we must maintain consolidated net worth of at least $360 million and a leverage ratio not exceeding 3.25 to 1. We must also maintain a minimum interest coverage ratio of 2.5 to 1. As part of the renegotiation of the revolving credit facility, the leverage ratio was revised to provide more flexibility and we eliminated the fixed coverage ratio that existed in the previous agreement. We are in compliance with all covenants at September 30, 2004. 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 as well as capital expenditures. 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 in 2003 or in the first nine months of 2004 and none were outstanding as of September 30, 2004.

We believe that the revolving credit facility, 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, co-investment activity and share repurchases.

We expect to continue to pursue co-investment opportunities with our real estate money management clients in the Americas, Europe and Asia Pacific. Co-investment remains very important to the continued growth of Investment Management. As of September 30, 2004, we had total investments and loans of $91.0 million in approximately 20 separate property or fund co-investments, with additional capital commitments of $135.2 million for future fundings of co-investments. This includes $18.0 million related to

certain short-term borrowings made by our co-investment vehicle. With respect to certain co-investment indebtedness, we also had repayment guarantees outstanding at September 30, 2004 of approximately $750,000. The $135.2 million capital commitment is a commitment to LIC. We expect that LIC will draw down on our commitment over the next five to seven years as it enters into new commitments. LIC is a series of four parallel limited partnerships and is intended to be our co-investment vehicle for substantially all new co-investments. Additionally, our Board of Directors has endorsed the use of our capital in particular situations to control or bridge finance existing real estate assets or portfolios to seed future investment products. The purpose of this is to accelerate capital raising and assets under management. We have an effective 47.85% ownership interest in LIC. Primarily institutional investors hold the remaining 52.15% interest in LIC. In addition, our Chairman and another Director of Jones Lang LaSalle are investors in LIC on equivalent terms to other investors. Our investment in LIC is accounted for under the equity method of accounting in the accompanying Consolidated Financial Statements. As of September 30, 2004, LIC has unfunded capital commitments of $85.3 million, of which our 47.85% share is $40.8 million, for future fundings of co-investments.

The net co-investment funding for 2004 is anticipated to be between $10 and $15 million (planned co-investment less return of capital from liquidated co-investments). For the nine months ended September 30, 2004, we funded a net $19.3 million which includes $18 million recorded in investment in and loans to real estate ventures for the consolidation of the LIC facility discussed in the paragraph following.

In the third quarter of 2003, LIC entered into a euro 35 million ($43.5 million) revolving credit facility (the "LIC facility") principally for its working capital needs. The LIC facility was increased during September 2004 to euro 50 million ($62.2 million). The LIC facility contains a credit rating trigger (related to the credit rating of one of LIC's investors who is unaffiliated with Jones Lang LaSalle) and a material adverse condition clause. If either the credit rating trigger or the material adverse condition clause becomes triggered, the LIC Facility would be in default and would need to be repaid. This would require us to fund our pro-rata share of the then outstanding balance on the LIC Facility, to which our liability is limited. The maximum exposure to Jones Lang LaSalle, assuming that the LIC Facility were fully drawn, would be euro 23.9 million ($29.8 million). As of September 30, 2004, LIC had euro 36.2 million ($45.0 million) of outstanding borrowings on this facility. Certain of the outstanding borrowings have been utilized by LIC to acquire specific assets in anticipation of a new fund launch. Due to the ownership structure of LIC, we recorded $18.0 million of these outstanding borrowings in the short-term borrowings and investments in and loans to real estate ventures lines of our consolidated balance sheet at September 30, 2004.

On February 27, 2004, we announced that our Board of Directors had approved a share repurchase program. Under the program, we are authorized to repurchase up to 1.5 million shares of our outstanding common stock in the open market and in privately negotiated transactions from time to time, depending upon market prices and other conditions. We repurchased 1,305,400 shares in the first nine months 2004 at an average price of $27.45 per share. The 2004 repurchase program replaces a program put in place in October 2002, under which we were authorized to repurchase up to 1 million shares. We repurchased 700,000 shares under the 2002 repurchase program. The repurchase of shares is primarily intended to offset dilution resulting from both stock and stock option grants made under the Firm's existing stock plans. Given that the 700,000 and 1,305,400 shares repurchased under the 2002 and 2004 programs, respectively, are not cancelled, but are held by one of our subsidiaries, we include them in our equity account. However, these shares are excluded from our share count for purposes of calculating earnings per share.

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. Our Investment Management segment earns performance fees on clients' returns on their real estate investments. Such performance fees are generally earned when assets are sold, the timing of which is geared towards the benefit of our clients. Non-variable operating expenses, which are treated as expenses when they are incurred during the year, are relatively constant on a quarterly basis.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET AND OTHER RISK FACTORS

MARKET RISK

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

- Interest rates on borrowings; and
- 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, taking into account investment opportunities and risks, tax consequences and overall financing strategies. We are primarily exposed to interest rate risk on the $325 million amended revolving multi-currency credit facility, due in April 2007, that is available for working capital, investments, capital expenditures and acquisitions. We utilized the revolving credit facility to redeem all of the outstanding Euro Notes on June 15, 2004. 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, in the past 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 2003 or the first nine months of 2004, and none were outstanding as of September 30, 2004.

The average borrowing rate on our debt for the nine months ended September 30, 2004 was 6.9% as compared to a rate of 8.2% for the same period of 2003. We expect the redemption of the Euro Notes to lower our average borrowing rate over the balance of 2004. The expected lower average borrowing rate is due to the favorable credit facility pricing which ranges from LIBOR plus 100 basis points to LIBOR plus 225 basis points compared to the Euro Notes which carried a 9% interest rate. Our current pricing on the credit facility is LIBOR plus 125 basis points. This pricing will fluctuate dependent upon our leverage ratio, and the total borrowing rate on the facility will increase and decrease with changes to market interest rates.

FOREIGN EXCHANGE

Revenues outside of the United States were 64% of our total revenues for the nine months ended September 30, 2004. Operating in international markets means that we are exposed to movements in foreign currency exchange rates, primarily the British pound (22% of revenues for the nine months ended September 30, 2004), the euro (17% of revenues for the nine months ended September 30, 2004) and the Australian dollar (8% of revenues for the nine months ended September 30, 2004). Changes in these foreign currency exchange rates have the largest impact on translating the operating profit of our international operations into US 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.

DISCLOSURE OF LIMITATIONS

Since the information presented above includes only those exposures that exist as of September 30, 2004, 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.

ITEM 4. CONTROLS AND PROCEDURES

Jones Lang LaSalle carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act of 1934 as of September 30, 2004. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings relating to Jones Lang LaSalle (including its consolidated subsidiaries).

There was no change in internal control over financial reporting that occurred in the first nine months of 2004 that has materially affected or is reasonably likely to materially affect Jones Lang LaSalle’s internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company has contingent liabilities from various pending claims and 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, although they may never-the-less be subject to large deductibles or retentions and the amounts being claimed may exceed the available insurance. Although the ultimate liability for these matters cannot be determined, based upon information currently available, we believe the ultimate resolution of such claims and litigation will not have a material adverse effect on our financial position, results of operations or liquidity.

On November 8, 2002, Bank One N.A. ("Bank One") filed suit against the Company and certain of its subsidiaries in the Circuit Court of Cook County, Illinois with regard to services provided in 1999 and 2000 pursuant to three different agreements relating to facility management, project development and broker services. The suit alleged negligence, breach of contract and breach of fiduciary duty on the part of Jones Lang LaSalle and sought to recover a total of $40 million in compensatory damages and $80 million in punitive damages. On December 16, 2002, the Company filed a counterclaim for breach of contract seeking payment of approximately $1.2 million for fees due for services provided under the agreements. On December 16, 2003, the court granted the Company's motion to strike the complaint because, after completion of significant discovery, Bank One had been unable to substantiate its allegations that it had suffered damages of $40 million as it had previously claimed. Bank One was authorized to file an amended complaint that seeks to recover compensatory damages in an unspecified amount, plus an unspecified amount of punitive damages. The amended complaint also includes allegations of fraudulent misrepresentation, fraudulent concealment and conversion. The court has postponed the trial date previously set for November 29, 2004 to allow additional time for mediation and as of the date of this report has not set a new date. The Company continues to aggressively defend the suit. While there can be no assurance, the Company continues to believe that the complaint is without merit and, as such, will not have a material adverse effect on our financial position, results of operations or liquidity. As of the date of this report, we continue with the process of discovery. As such, although we still have not seen or heard anything that leads us to believe that the suit has merit, the outcome of Bank One's suit cannot be predicted with any certainty and management is unable to estimate an amount or range of potential loss that could result if an improbable unfavorable outcome did occur.

ITEM 2. SHARE REPURCHASE

The following table provides information with respect to approved share repurchase programs for Jones Lang LaSalle:

	Total number of shares purchased	Average price paid per share (1)	Total number of shares purchased as part of publicly announced plans	Shares remaining to be purchased plan (2)
January 1, 2004 - January 31, 2004	--	--	--	300,000
February 1, 2004 - February 29, 2004	--	--	--	1,500,000
March 1, 2004 - March 31, 2004	294,800	$ 25.32	294,800	1,205,200
April 1, 2004 - April 30, 2004	--	--	294,800	1,205,200
May 1, 2004 - May 31, 2004	251,400	$ 23.69	546,200	953,800
June 1, 2004 - June 30, 2004	260,400	$ 26.10	806,600	693,400
July 1, 2004 - July 31, 2004	--	--	--	693,400
August 1, 2004 - August 31, 2004	330,900	$ 30.65	1,137,500	362,500
September 1, 2004 - September 30, 2004	167,900	$ 32.62	1,305,400	194,600
Total	1,305,400	$ 27.45		

(1) Total average price paid per share is a weighted average for the nine month period.

(2) On February 27, 2004, we announced that our Board of Directors had approved a share repurchase program. Under the program, we are authorized to repurchase up to 1.5 million shares of our outstanding common stock in the open market and in privately negotiated transactions from time to time, depending upon market prices and other conditions.

The 2004 repurchase program replaces a program put in place in October 2002, under which we were authorized to repurchase up to 1 million shares. We repurchased 700,000 shares under the 2002 repurchase program.

ITEM 5. OTHER INFORMATION

CORPORATE GOVERNANCE

Our policies and practices reflect corporate governance initiatives that we believe comply with the listing requirements of the New York Stock Exchange (NYSE), on which our Common Stock is traded, the corporate governance requirements of the Sarbanes-Oxley Act of 2002 as currently in effect, various regulations issued by the Securities and Exchange Commission (SEC) and certain provisions of the General Corporation Law in the State of Maryland, where Jones Lang LaSalle is incorporated.

We maintain a corporate governance section on our public website which includes key information about our corporate governance initiatives such as our Corporate Governance Guidelines, Charters for the three Committees of our Board of Directors, a Statement of Qualifications of Members of the Board of Directors and our Code of Business Ethics. The Board of Directors regularly reviews corporate governance developments and modifies our Guidelines and Charters as warranted. The corporate governance section can be found on our website at www.joneslanglasalle.com by clicking "Investor Relations" and then "Board of Directors and Corporate Governance."

CORPORATE OFFICERS

The names and titles of our corporate executive officers are as follows:

Global Executive Committee

Colin Dyer (Chairman of the Committee)
President and Global Chief Executive Officer

Peter A. Barge
Chief Executive Officer, Asia Pacific

Lauralee E. Martin
Global Chief Financial Officer

Robert S. Orr
Chief Executive Officer, Europe

Peter C. Roberts
Chief Executive Officer, Americas

Lynn C. Thurber
Chief Executive Officer, LaSalle Investment Management

Additional Corporate Officers

Brian P. Hake
Global Treasurer

James S. Jasionowski
Global Director of Tax

Molly A. Kelly
Chief Marketing and Communications Officer

Mark J. Ohringer
Global General Counsel and Corporate Secretary

Marissa R. Prizant
Director of Global Internal Audit

Nazneen Razi
Chief Human Resources Officer

John G. Wallerius
Chief Information Officer

Stanley Stec
Global Controller and Principal Accounting Officer

Effective November 1, 2004, Stanley Stec joined the Company as Global Controller and will serve as the Company's principal accounting officer.

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, 2003 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 September 24, 2004, Jones Lang LaSalle filed a report on Form 8-K announcing the resignation of Nicholas J. Willmott as Global Controller.

On September 27, 2004, Jones Lang LaSalle filed a report on Form 8-K announcing an Australia systems settlement with Capgemini Pty Limited and Q3 Excess space charge.

On October 8, 2004, Jones Lang LaSalle filed a report on Form 8-K announcing the resignation of Jackson Tai from the Board of Directors.

On November 1, 2004, Jones Lang LaSalle filed a report on Form 8-K announcing that Stanley Stec has joined the firm as Global Controller, in which capacity he will serve as the Company's principal accounting officer.

On November 4, 2004, Jones Lang LaSalle filed a report on Form 8-K incorporating a press release announcing earnings for the quarterly period ended September 30, 2004.

SIGNATURE

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: November 3, 2004

BY: /S/ LAURALEE E. MARTIN

Lauralee E. Martin
Executive Vice President and
Chief Financial Officer
(Authorized Officer and
Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification of Colin Dyer pursuant to Securities Exchange Act Rules 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Lauralee E. Martin pursuant to Securities Exchange Act Rules 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Colin Dyer and Lauralee E. Martin pursuant to Securities Exchange Act Rules 13a-14(b) or 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 31.1

CERTIFICATIONS

I, Colin Dyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jones Lang LaSalle Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2004

/s/ Colin Dyer

Colin Dyer,
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Lauralee E. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jones Lang LaSalle Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2004

/s/ Lauralee E. Martin

Lauralee E. Martin,
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Jones Lang LaSalle Incorporated (the Company) on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), Colin Dyer, as Chief Executive Officer of the Company, and Lauralee E. Martin, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of their knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Colin Dyer
Colin Dyer
President and
Chief Executive Officer
November 3, 2004

/s/ Lauralee E. Martin
Lauralee E. Martin
Executive Vice President and
Chief Financial Officer
November 3, 2004

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.