

JONES LANG LASALLE INC
Form 10-Q
August 06, 2015

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

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 1-13145

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

Maryland
(State or other jurisdiction of incorporation or organization)
36-4150422
(I.R.S. Employer Identification No.)

200 East Randolph Drive, Chicago, IL 60601
(Address of principal executive offices) (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's common stock (par value \$0.01) as of the close of business on August 3, 2015 was 44,963,051.

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Part I. Financial Information

Item 1. Financial Statements

JONES LANG LASALLE INCORPORATED

Consolidated Balance Sheets as of June 30, 2015 (unaudited) and December 31, 2014

(in thousands, except share data)

	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 191,034	250,413
Trade receivables, net of allowances of \$24,895 and \$17,861	1,305,467	1,375,035
Notes and other receivables	218,003	181,377
Warehouse receivables	32,200	83,312
Prepaid expenses	71,730	64,963
Deferred tax assets, net	131,881	135,251
Other	34,633	27,825
Total current assets	1,984,948	2,118,176
Property and equipment, net of accumulated depreciation of \$446,595 and \$418,332	362,988	368,361
Goodwill, with indefinite useful lives	1,933,280	1,907,924
Identified intangibles, net of accumulated amortization of \$129,377 and \$124,920	38,367	38,841
Investments in real estate ventures, including \$138,960 and \$113,602 at fair value	333,016	297,142
Long-term receivables	99,396	85,749
Deferred tax assets, net	102,718	90,897
Deferred compensation plan	126,627	111,234
Other	61,961	57,012
Total assets	\$5,043,301	5,075,336
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 575,807	630,037
Accrued compensation	662,865	990,678
Short-term borrowings	22,150	19,623
Deferred tax liabilities, net	16,554	16,554
Deferred income	127,332	104,565
Deferred business acquisition obligations	39,463	49,259
Warehouse facility	32,200	83,312
Minority shareholder redemption liability	—	11,158
Other	146,689	141,825
Total current liabilities	1,623,060	2,047,011
Credit facility	329,998	—
Long-term senior notes	275,000	275,000
Deferred tax liabilities, net	17,712	17,082
Deferred compensation	141,799	125,857
Deferred business acquisition obligations	46,360	68,848
Other	114,512	118,969
Total liabilities	2,548,441	2,652,767
Redeemable noncontrolling interest	9,905	13,449
Company shareholders' equity:		

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Common stock, \$.01 par value per share, 100,000,000 shares authorized; 44,880,457 and 44,828,779 shares issued and outstanding	449	448
Additional paid-in capital	974,174	961,850
Retained earnings	1,751,018	1,631,145
Shares held in trust	(6,329	) (6,407)
Accumulated other comprehensive loss	(254,772	) (200,239)
Total Company shareholders' equity	2,464,540	2,386,797
Noncontrolling interest	20,415	22,323
Total equity	2,484,955	2,409,120
Total liabilities and equity	\$5,043,301	5,075,336

See accompanying Notes to Consolidated Financial Statements.

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JONES LANG LASALLE INCORPORATED
Consolidated Statements of Comprehensive Income
For the Three and Six Months Ended June 30, 2015 and 2014
(in thousands, except share data) (unaudited)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenue	\$1,373,475	1,277,204	\$2,576,986	2,314,646
Operating expenses:				
Compensation and benefits	825,058	761,224	1,562,975	1,398,563
Operating, administrative and other	418,127	396,086	805,324	753,086
Depreciation and amortization	25,495	22,780	50,418	45,191
Restructuring and acquisition charges	1,832	5,458	2,648	41,416
Total operating expenses	1,270,512	1,185,548	2,421,365	2,238,256
Operating income	102,963	91,656	155,621	76,390
Interest expense, net of interest income	(7,558)	(7,664)	(13,596)	(14,300)
Equity earnings from real estate ventures	27,128	12,491	38,511	21,393
Income before income taxes and noncontrolling interest	122,533	96,483	180,536	83,483
Provision for (benefit from) income taxes	31,123	24,121	45,856	(5,024)
Net income	91,410	72,362	134,680	88,507
Net income attributable to noncontrolling interest	1,099	420	2,475	663
Net income attributable to the Company	90,311	71,942	132,205	87,844
Dividends on unvested common stock, net of tax benefit	163	176	163	176
Net income attributable to common shareholders	\$90,148	71,766	\$132,042	87,668
Basic earnings per common share	\$2.01	1.61	\$2.94	1.97
Basic weighted average shares outstanding	44,868,979	44,586,095	44,856,374	44,550,154
Diluted earnings per common share	\$1.98	1.58	\$2.91	1.94
Diluted weighted average shares outstanding	45,434,585	45,278,494	45,393,438	45,220,082
Other comprehensive income (loss):				
Net income attributable to the Company	\$90,311	71,942	\$132,205	87,844
Change in pension liabilities, net of tax	—	—	852	—
Foreign currency translation adjustments	53,688	25,134	(55,385)	38,952
Comprehensive income attributable to the Company	\$143,999	97,076	\$77,672	126,796

See accompanying Notes to Consolidated Financial Statements.

JONES LANG LASALLE INCORPORATED
Consolidated Statement of Changes in Equity
For the Six Months Ended June 30, 2015
(in thousands, except share data) (unaudited)

	Company Shareholders' Equity							Total Equity
	Common Stock		Additional Paid-In Capital	Retained Earnings	Shares Held in Trust	Accumulated Other Comprehensive Loss	Noncontrolling Interest	
	Shares	Amount						
Balances at December 31, 2014	44,828,779	\$448	961,850	1,631,145	(6,407)	(200,239)	22,323	\$2,409,120
Net income ⁽¹⁾	—	—	—	132,205	—	—	2,241	134,446
Shares issued under stock compensation programs	64,649	1	455	—	—	—	—	456
Shares repurchased for payment of taxes on stock awards	(12,971)	—	(2,112)	—	—	—	—	(2,112)
Tax adjustments due to vestings and exercises	—	—	1,703	—	—	—	—	1,703
Amortization of stock compensation	—	—	12,101	—	—	—	—	12,101
Dividends paid, \$0.27 per share	—	—	—	(12,332)	—	—	—	(12,332)
Shares held in trust	—	—	—	—	78	—	—	78
Change in pension liabilities, net of tax	—	—	—	—	—	852	—	852
Foreign currency translation adjustments	—	—	—	—	—	(55,385)	—	(55,385)
Distributions to noncontrolling interest	—	—	—	—	—	—	(4,149)	(4,149)
Acquisition of redeemable noncontrolling	—	—	177	—	—	—	—	177

interest

Balances at									
June 30, 2015	44,880,457	\$449	974,174	1,751,018	(6,329)	(254,772	)	20,415	\$2,484,955

(1) Excludes net income of \$234 attributable to redeemable noncontrolling interest for the six months ended June 30, 2015.

See accompanying Notes to Consolidated Financial Statements.

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JONES LANG LASALLE INCORPORATED

Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2015 and 2014

(in thousands) (unaudited)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	
Cash flows used in operating activities:			
Net income	\$ 134,680	88,507	
Reconciliation of net income to net cash used in operating activities:			
Depreciation and amortization	50,418	45,191	
Equity earnings from real estate ventures	(38,511	(21,393)
Gain on the sale of assets, net	(871	—)
Distributions of earnings from real estate ventures	10,276	9,627	
Provision for loss on receivables and other assets	10,813	6,379	
Amortization of deferred compensation	12,101	11,175	
Accretion of interest on deferred business acquisition obligations	1,710	2,695	
Amortization of debt issuance costs	2,014	1,827	
Change in:			
Receivables	(23,839	29,984)
Prepaid expenses and other assets	(28,065	(31,226)
Deferred tax assets, net	(7,979	37,784)
Excess tax benefit from share-based payment arrangements	(1,703	(3,559)
Accounts payable, accrued liabilities and accrued compensation	(335,895	(323,999)
Net cash used in operating activities	(214,851	(147,008)
Cash flows used in investing activities:			
Net capital additions – property and equipment	(45,350	(67,644)
Proceeds from the sale of assets	6,813	—	
Business acquisitions	(41,742	(20,164)
Capital contributions to real estate ventures	(32,335	(18,585)
Distributions of capital from real estate ventures	20,307	22,528	
Net cash used in investing activities	(92,307	(83,865)
Cash flows provided by financing activities:			
Proceeds from borrowings under credit facility	955,000	1,007,000	
Repayments of borrowings under credit facility	(625,167	(754,954)
Payments of deferred business acquisition obligations	(41,462	(36,432)
Acquisition of redeemable noncontrolling interest	(2,655	—)
Acquisition of noncontrolling interest	(990	—)
Debt issuance costs	(7,319	—)
Shares repurchased for payment of employee taxes on stock awards	(2,112	(4,329)
Excess tax benefit from share-based payment arrangements	1,703	3,559	
Common stock issued under option and stock purchase programs	456	1,848	
Payment of dividends	(12,332	(10,493)
Principal payments on capital lease obligations	(2,019	(2,175)
Other loan (payments) proceeds	(4,338	18,277)
Noncontrolling interest distributions, net	(3,145	5,951)
Net cash provided by financing activities	255,620	228,252	

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Effect of currency exchange rate changes on cash and cash equivalents	(7,841)	603
Net decrease in cash and cash equivalents	(59,379	)	(2,018)
Cash and cash equivalents, beginning of the period	250,413		152,726
Cash and cash equivalents, end of the period	\$191,034		150,708

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	\$9,980		9,780
Income taxes, net of refunds	70,724		48,471
Non-cash investing activities:			
Business acquisitions, including contingent consideration	\$13,396		1,184
Capital leases	4,381		18,244
Non-cash financing activities:			
Deferred business acquisition obligations	\$5,078		8,912
Redeemable noncontrolling interest	—		13,725
See accompanying Notes to Consolidated Financial Statements.			

JONES LANG LASALLE INCORPORATED

Notes to Consolidated Financial Statements (Unaudited)

Readers of this quarterly report should refer to the audited financial statements of Jones Lang LaSalle Incorporated ("JLL," which may also be referred to as "the Company" or as "the Firm," "we," "us" or "our") for the year ended December 31, 2014, which are included in our 2014 Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission ("SEC") and also available on our website (www.jll.com), since we have omitted from this quarterly 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 7 and to Note 2, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements in our 2014 Annual Report on Form 10-K for further discussion of our significant accounting policies and estimates.

(1) Interim Information

Our Consolidated Financial Statements as of June 30, 2015, and for the three months and six months ended June 30, 2015 and 2014, are unaudited. 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. Certain prior year amounts have been reclassified to conform to the current year presentation.

Historically, our quarterly revenue and profits have tended to increase from quarter to quarter as the year progresses. This is the result of a general focus in the real estate industry on completing transactions by calendar-year-end, while we recognize certain expenses evenly throughout the year. Our LaSalle Investment Management ("LaSalle") segment generally earns investment-generated performance fees on clients' real estate investment returns and co-investment equity gains when assets are sold, the timing of which is geared toward the benefit of our clients. Within our Real Estate Services ("RES") segments, revenue from capital markets activities relates to the size and timing of our clients' transactions and can fluctuate significantly from period to period.

A significant portion of our compensation and benefits expense is from incentive compensation plans, which we generally accrue throughout the year based on progress toward annual performance targets. This process can result in significant fluctuations in quarterly compensation and benefits expense from period to period. Non-variable operating expenses, which we recognize when incurred during the year, are relatively constant on a quarterly basis.

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, which is based on forecasted income by country and expected enacted tax rates. Changes in the geographic mix of income can impact our estimated effective tax rate.

As a result of the items mentioned above, the results for the periods ended June 30, 2015 and 2014 are not indicative of what our results will be for the full fiscal year.

(2) New Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles ("U.S. GAAP") when it becomes effective. The new standard is effective for annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted for annual and interim periods in fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a date of adoption or a transition method. Similarly, the Company is

currently evaluating the effect the standard will have on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis," which improves targeted areas of the consolidation guidance and reduces the number of consolidation models. The amendments in the ASU are effective for annual and interim periods in fiscal years beginning after December 15, 2015, with early adoption permitted. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest," which simplifies the presentation of debt issuance costs. The amendments in the ASU are effective for annual and interim periods in fiscal years beginning after December 15, 2015, with early adoption permitted. The Company does not believe implementation of the guidance will have a material effect on its consolidated financial statements.

(3) Revenue Recognition

We earn revenue from the following principal sources:

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

We recognize transaction commissions related to leasing services and capital markets services as revenue when we provide the related services unless future contingencies exist. Advisory and management fees related to property and facility management services, valuation services, corporate property services, consulting services and investment management are recognized in the period in which we perform the related services. We recognize incentive fees in the period earned, based on the performance of funds' investments, contractual benchmarks and other contractual formulas. If future contingencies exist, we defer recognition of the related revenue until the respective contingencies have been satisfied.

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

Certain construction management fees, which are gross construction services revenue reported net of subcontract costs, were \$1.3 million and \$1.2 million for the three months ended June 30, 2015 and 2014, respectively, and \$2.0 million and \$2.4 million for the six months ended June 30, 2015 and 2014, respectively. Gross construction services revenue totaled \$21.8 million and \$23.7 million for the three months ended June 30, 2015 and 2014, respectively, and \$39.0 million and \$51.2 million for the six months ended June 30, 2015 and 2014, respectively. Subcontract costs totaled \$20.5 million and \$22.5 million for the three months ended June 30, 2015 and 2014, respectively, and \$37.0 million and \$48.8 million for the six months ended June 30, 2015 and 2014, respectively.

We included costs in excess of billings on uncompleted construction contracts of \$3.3 million and \$3.4 million in Trade receivables, and billings in excess of costs on uncompleted construction contracts of \$5.1 million and \$7.9 million, in Deferred income, as of June 30, 2015 and December 31, 2014, respectively.

Gross and Net Accounting: We follow the guidance of FASB Accounting Standards Codification ("ASC") 605-45, "Principal and Agent Considerations," when accounting for reimbursements received from clients. In certain of our businesses, primarily those involving management services, our clients reimburse us for expenses incurred on their behalf. We base the treatment of reimbursable expenses for financial reporting purposes upon the fee structure of the underlying contract. Accordingly, we report a contract that provides for fixed fees, fully inclusive of all personnel and other recoverable expenses, on a gross basis. When accounting on a gross basis, our reported revenue comprises the entire amount billed to our client and our reported expenses include all costs associated with the client. Certain contractual arrangements in our project and development services, including fit-out business activities and our facility management services, tend to have characteristics that result in accounting on a gross basis. In Note 4, Business Segments, for client assignments in property and facility management and in project and development services that are accounted for on a gross basis, we identify the gross contract costs, including vendor and subcontract costs ("gross contract costs"), and present separately their impact on both revenue and operating expenses in our RES segments. We exclude these gross contract costs from revenue and operating expenses in determining "fee revenue" and "fee-based operating expenses" in our segment presentation.

We account for a contract on a net basis when the fee structure is comprised of at least two distinct elements, namely (1) a fixed management fee and (2) a separate component that allows for scheduled reimbursable personnel costs or other expenses to be billed directly to the client. When accounting on a net basis, we include the fixed management fee in reported revenue and net the reimbursement against expenses. We base this accounting on the following factors, which define us as an agent rather than a principal:

The property owner or client, with ultimate approval rights relating to the employment and compensation of on-site personnel, and bearing all of the economic costs of such personnel, is determined to be the primary obligor in the arrangement;

Reimbursement to JLL is generally completed simultaneously with payment of payroll or soon thereafter;

The property owner is contractually obligated to fund all operating costs of the property from existing cash flow or direct funding from its building operating account and JLL bears little or no credit risk; and JLL generally earns no margin on the reimbursement aspect of the arrangement, obtaining reimbursement only for actual costs incurred.

We account for the majority of our service contracts on a net basis. The reimbursable costs associated with these net contracts aggregated approximately \$416.9 million and \$425.6 million for the three months ended June 30, 2015 and 2014, respectively, and \$965.6 million and \$904.5 million for the six months ended June 30, 2015 and 2014, respectively. The presentation of expenses pursuant to these arrangements under either a gross or net basis has no impact on operating income, net income or cash flows.

Contracts accounted for on a gross basis resulted in certain costs reflected in revenue and operating expenses (gross contract costs) of \$191.7 million and \$191.2 million for the three months ended June 30, 2015 and 2014, respectively, and \$366.1 million and \$350.9 million for the six months ended June 30, 2015 and 2014, respectively.

(4) Business Segments

We manage and report our operations as four business segments:

The three geographic regions of RES including:

- (1) Americas,
 - (2) Europe, Middle East and Africa ("EMEA"), and
 - (3) Asia Pacific;
- and
- (4) LaSalle, which offers investment management services on a global basis.

Each geographic region offers our full range of Real Estate Services, including agency leasing and tenant representation, capital markets and hotels, property management, facilities management, project and development management, energy management and sustainability, construction management, and advisory, consulting and valuation services. We consider "property management" to represent services provided to non-occupying property investors and "facilities management" to represent services provided to owner-occupiers. LaSalle provides investment management services to institutional investors and high-net-worth individuals.

Operating income represents total revenue less direct and allocated indirect expenses. We allocate all indirect expenses to our segments, other than interest and income taxes, as nearly all expenses incurred benefit one or more of the segments. Allocated expenses primarily consist of corporate global overhead, which we allocate to the business segments based on the budgeted operating expenses of each segment.

For segment reporting, we present revenue net of gross contract costs in our RES segments. Excluding these costs from revenue and expenses results in a "net" presentation of "fee revenue" and "fee-based operating expenses" that we believe more accurately reflects how we manage our expense base and operating margins. See Note 3 for additional information on our gross and net accounting policies. For segment reporting, we present Equity earnings from real estate ventures within total segment revenue, since the related activity is an integral part of LaSalle. Finally, our measure of segment results excludes Restructuring and acquisition charges.

The Chief Operating Decision Maker of JLL measures the segment results net of gross contract costs, inclusive of Equity earnings from real estate ventures, and excluding Restructuring and acquisition charges. We define the Chief Operating Decision Maker collectively as our Global Executive Board, which is comprised of our Global Chief Executive Officer, Global Chief Financial Officer and the Chief Executive Officers of each of our four business segments.

Summarized unaudited financial information by business segment for the three and six months ended June 30, 2015 and 2014 is as follows (\$ in thousands):

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Americas - Real Estate Services				
Revenue	\$597,470	544,082	\$1,151,666	991,164
Equity earnings	570	967	916	1,202
Total segment revenue	598,040	545,049	1,152,582	992,366
Gross contract costs	(52,937)	(51,479)	(105,896)	(92,262)
Total segment fee revenue	545,103	493,570	1,046,686	900,104
Operating expenses:				
Compensation, operating and administrative expenses	536,685	484,750	1,040,261	901,759
Depreciation and amortization	15,322	13,531	30,873	26,842
Total segment operating expenses	552,007	498,281	1,071,134	928,601
Gross contract costs	(52,937)	(51,479)	(105,896)	(92,262)
Total fee-based segment operating expenses	499,070	446,802	965,238	836,339
Operating income	\$46,033	46,768	\$81,448	63,765
EMEA - Real Estate Services				
Revenue	\$416,259	395,643	\$742,033	707,525
Equity earnings	1,112	—	744	—
Total segment revenue	417,371	395,643	742,777	707,525
Gross contract costs	(90,060)	(86,673)	(161,922)	(164,525)
Total segment fee revenue	327,311	308,970	580,855	543,000
Operating expenses:				
Compensation, operating and administrative expenses	379,106	365,360	702,192	676,706
Depreciation and amortization	6,073	5,504	11,299	10,948
Total segment operating expenses	385,179	370,864	713,491	687,654
Gross contract costs	(90,060)	(86,673)	(161,922)	(164,525)
Total fee-based segment operating expenses	295,119	284,191	551,569	523,129
Operating income	\$32,192	24,779	\$29,286	19,871

Continued: Summarized unaudited financial information by business segment for the three and six months ended June 30, 2015 and 2014 is as follows (\$ in thousands):

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Asia Pacific - Real Estate Services				
Revenue	\$279,573	267,477	\$517,322	482,182
Equity earnings (loss)	74	4	22	(79)
Total segment revenue	279,647	267,481	517,344	482,103
Gross contract costs	(48,669)	(53,096)	(98,257)	(94,063)
Total segment fee revenue	230,978	214,385	419,087	388,040
Operating expenses:				
Compensation, operating and administrative expenses	259,878	248,454	489,500	458,759
Depreciation and amortization	3,583	3,257	7,222	6,425
Total segment operating expenses	263,461	251,711	496,722	465,184
Gross contract costs	(48,669)	(53,096)	(98,257)	(94,063)
Total fee-based segment operating expenses	214,792	198,615	398,465	371,121
Operating income	\$16,186	15,770	\$20,622	16,919
LaSalle				
Revenue	\$80,173	70,002	\$165,965	133,775
Equity earnings	25,372	11,520	36,829	20,270
Total segment revenue	105,545	81,522	202,794	154,045
Operating expenses:				
Compensation, operating and administrative expenses	67,516	58,746	136,346	114,425
Depreciation and amortization	517	488	1,024	976
Total segment operating expenses	68,033	59,234	137,370	115,401
Operating income	\$37,512	22,288	\$65,424	38,644
Segment Reconciling Items				
Total segment revenue	\$1,400,603	1,289,695	\$2,615,497	2,336,039
Reclassification of equity earnings	27,128	12,491	38,511	21,393
Total revenue	1,373,475	1,277,204	2,576,986	2,314,646
Total segment operating expenses before restructuring and acquisition charges	1,268,680	1,180,090	2,418,717	2,196,840
Operating income before restructuring and acquisition charges	104,795	97,114	158,269	117,806
Restructuring and acquisition charges	1,832	5,458	2,648	41,416
Operating income	\$102,963	91,656	\$155,621	76,390

(5) Business Combinations, Goodwill and Other Intangible Assets

2015 Business Combinations Activity

During the six months ended June 30, 2015, we completed six acquisitions, acquiring companies in Australia, Canada, Japan, Poland, Sweden, and the United States, and we made the final payments for acquisitions of businesses located in India and Turkey that were completed in previous years. Aggregate terms of these acquisitions included: (1) cash payments of \$41.7 million, including the \$16.4 million related to the Indian business acquisition further discussed below, (2) consideration subject only to the passage of time of \$5.1 million, and (3) earn-out consideration subject to provisions that will be paid upon certain performance conditions being met which are recorded at their acquisition date fair value of \$13.4 million.

Our 2007 acquisition of an Indian real estate services company included provisions for the purchase of the minority ownership retained at completion. This obligation was reflected on our Consolidated Balance Sheet at December 31, 2014 as an \$11.2 million Minority shareholder redemption liability. During the six months ended June 30, 2015, this obligation was adjusted upwards by \$5.2 million to the final settlement amount of \$16.4 million for the remaining shares, which was paid during June 2015. A corresponding adjustment of \$5.2 million was recorded to goodwill.

During the six months ended June 30, 2015, we paid \$41.5 million for deferred business acquisition and earn-out obligations for acquisitions completed in prior years. We also paid \$2.7 million to acquire a portion of the redeemable noncontrolling interest related to our 2014 acquisition of Tenzing AB, a Swedish real estate services provider.

Earn-Out Payments

At June 30, 2015, we had the potential to make future earn-out payments on 18 acquisitions that are subject to the achievement of certain performance conditions. The maximum amount of the potential future earn-out payments was \$55.3 million at June 30, 2015, for which we have accrued \$35.7 million on our Consolidated Balance Sheet within Other current and long-term liabilities. Assuming the achievement of the applicable performance conditions, we anticipate that the majority of these earn-out payments will be paid over the next four years.

Goodwill and Other Intangible Assets

We had \$2.0 billion of goodwill and unamortized intangibles at June 30, 2015. Significant portions of our goodwill and unamortized intangibles are denominated in currencies other than the U.S. dollar, which means that a portion of the movements in the reported book value of these balances is attributable to movements in foreign currency exchange rates. The tables below detail the foreign exchange impact on our goodwill and intangible balances. The \$2.0 billion of goodwill and unamortized intangibles consists of: (1) goodwill of \$1.93 billion with an indefinite useful life that is not amortized, (2) identifiable intangibles of \$31.8 million that will be amortized over their remaining finite useful lives, and (3) \$6.6 million of identifiable intangibles with indefinite useful lives that are not amortized.

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

	Real Estate Services			LaSalle	Consolidated
	Americas	EMEA	Asia Pacific		
Balance as of January 1, 2015	\$1,008.3	650.4	230.8	18.4	1,907.9
Additions, net of adjustments	10.0	15.3	18.7	—	44.0
Impact of exchange rate movements	(0.6)	) (14.1)	) (4.0)	) 0.1	(18.6)
Balance as of June 30, 2015	\$1,017.7	651.6	245.5	18.5	1,933.3

The following table details, by reporting segment, the current year movements in the gross carrying amount and accumulated amortization of our identifiable intangibles (\$ in millions):

	Real Estate Services				
	Americas	EMEA	Asia Pacific	LaSalle	Consolidated
Gross Book Value					
Balance as of January 1, 2015	\$ 103.4	43.8	9.5	7.0	163.7
Additions	2.3	0.7	1.9	—	4.9
Impact of exchange rate movements	—	(0.4)	(0.2)	(0.2)	(0.8)
Balance as of June 30, 2015	\$ 105.7	44.1	11.2	6.8	167.8
Accumulated Amortization					
Balance as of January 1, 2015	\$(84.9)	(31.0)	(8.9)	(0.1)	(124.9)
Amortization expense	(3.4)	(1.3)	(0.2)	—	(4.9)
Impact of exchange rate movements	—	0.3	0.1	—	0.4
Balance as of June 30, 2015	\$(88.3)	(32.0)	(9.0)	(0.1)	(129.4)
Net book value as of June 30, 2015	\$ 17.4	12.1	2.2	6.7	38.4

We amortize our identifiable intangible assets with finite lives on a straight-line basis over their useful lives. The remaining estimated future amortization expense by year for our identifiable intangible assets with finite useful lives at June 30, 2015, is as follows (\$ in millions):

2015 (6 months)	\$6.9
2016	7.7
2017	6.9
2018	4.6
2019	2.7
2020	2.4
Thereafter	0.6
Total	\$31.8

(6) Investments in Real Estate Ventures

As of June 30, 2015 and December 31, 2014, we had Investments in real estate ventures of \$333.0 million and \$297.1 million, respectively. We account for the majority of our investments in real estate ventures under the equity method of accounting, however, we report certain of our direct investments at fair value. Our investments are primarily co-investments in approximately 50 separate property or commingled funds for which we also have an advisory agreement. Our investment ownership percentages in these funds generally range from less than 1% to 15%.

Approximately half of our \$333.0 million balance in Investments in real estate ventures as of June 30, 2015 was attributable to investment vehicles which, utilizing our capital and outside capital primarily provided by institutional investors, invest in certain real estate ventures that own and operate real estate. Of this amount, the majority was placed with LaSalle Investment Company II ("LIC II"), in which we held an effective ownership interest of 48.78%.

At June 30, 2015, LIC II had unfunded capital commitments to underlying ventures of \$129.0 million and a \$20.0 million revolving credit facility (the "LIC II Facility"), principally for working capital needs. LIC II's exposure to the liabilities and losses of the underlying real estate ventures in which it has invested is limited to existing capital contributions and remaining unfunded capital commitments. Considering our proportionate share of LIC II's commitments to underlying funds and our exposure to fund our proportionate share of the then outstanding balance on

the LIC II facility, our maximum potential unfunded commitments to LIC II were \$95.2 million as of June 30, 2015. We expect LIC II to draw down on our commitments over the next three to five years to satisfy its existing commitments to underlying real estate ventures.

The following table summarizes the above discussion relative to LIC II as of June 30, 2015 (\$ in millions):

Our effective ownership interest in co-investment vehicle	48.78	%
Our maximum potential unfunded commitments	\$95.2	
Our share of unfunded capital commitments to underlying funds	62.9	
Our share of exposure on outstanding borrowings	3.9	
Our maximum exposure, assuming facility is fully drawn	9.8	

Exclusive of our LIC II commitment structure, we have potential unfunded commitment obligations to other like investment vehicles or direct investments, the aggregate maximum of which is \$82.6 million as of June 30, 2015.

Our investments in real estate ventures include investments in entities classified as variable interest entities ("VIEs") that we analyze for potential consolidation. We had equity method investments, either directly or indirectly, of \$2.3 million and \$4.3 million at June 30, 2015 and December 31, 2014, respectively, in entities classified as VIEs. We evaluate each of these VIEs to determine whether we have the power to direct the activities that most significantly impact the entity's economic performance. In certain circumstances, we have determined that we either did not have the power to direct the key activities, or shared power with other investors, lenders, or other actively-involved third parties. Additionally, our exposure to loss is limited to our investment in the VIEs. Therefore, we concluded that we do not have a controlling financial interest in or are not the primary beneficiary of these VIEs and therefore do not consolidate them in our Consolidated Financial Statements. In other circumstances, we have determined we are the primary beneficiary of certain other VIEs and accordingly, consolidate such entities. The assets of the consolidated VIEs are available only for the settlement of the obligations of the respective entities. The mortgage loans of the consolidated VIEs are non-recourse to JLL.

Summarized balance sheets for our consolidated VIEs as of June 30, 2015 and December 31, 2014 are as follows (\$ in millions):

	June 30, 2015	December 31, 2014
Property and equipment, net	\$32.4	37.8
Investment in real estate venture	5.4	5.0
Other assets	3.3	3.5
Total assets	\$41.1	46.3
Mortgage loans payable, included in other long-term liabilities	\$25.1	29.3
Total liabilities	25.1	29.3
Members' equity	16.0	17.0
Total liabilities and members' equity	\$41.1	46.3

Summarized statements of operations for our consolidated VIEs for the three and six months ended June 30, 2015 and 2014 are as follows (\$ in millions):

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenue	\$1.3	1.0	\$2.4	1.6
Gain on sale of investment	—	—	1.3	—
Operating and other expenses	(0.9	) (0.9	) (1.8	) (1.4
Net income	\$0.4	0.1	\$1.9	0.2

The members' equity and net income of the consolidated VIEs are allocated to the noncontrolling interest holders as Noncontrolling interest on our Consolidated Balance Sheets and as Net income attributable to noncontrolling interest in our Consolidated Statements of Comprehensive Income, respectively.

Impairment

We review our investments in real estate ventures on a quarterly basis, or as otherwise deemed necessary, for indications that we may not be able to recover the carrying value of our investments and whether such investments are other than temporarily impaired. Our assessments consider the existence of impairment indicators at the underlying real estate assets that comprise the majority of our investments. Such assessments, in regards to both the investment levels and underlying asset levels, are based on evaluations of regular updates to future cash flow models and on factors such as operational performance, market conditions, major tenancy matters, legal and environmental concerns, and our ability and intent to hold each investment. When events or changes in circumstances indicate that the carrying amount of one of our investments in real estate ventures may be other than temporarily impaired, we consider the likelihood of recoverability of the carrying amount of our investment as well as the estimated fair value and record an impairment charge as applicable. Impairment charges to write down the carrying value of the real estate assets underlying our investments, our proportionate share of which is recognized within Equity earnings from real estate ventures, are generally the result of completing discounted cash flow models that primarily rely upon Level 3 inputs to determine fair value. Impairment charges recorded within Equity earnings from real estate ventures aggregated to \$0.6 million for the three months ended June 30, 2015. There were no impairment charges included in Equity earnings from real estate ventures for the three months ended June 30, 2014. Impairment charges aggregated to \$4.2 million and \$0.8 million for the six months ended June 30, 2015 and 2014, respectively.

Fair Value

We report our investments in certain real estate ventures at fair value. For such investments, we increase or decrease our investment each reporting period by the estimated change in fair value, which activity is reflected as gains or losses in our Consolidated Statements of Comprehensive Income within Equity earnings from real estate ventures. At June 30, 2015 and December 31, 2014, we had \$139.0 million and \$113.6 million, respectively, of investments that were reported at fair value. Fair value was estimated utilizing net asset value (NAV) per share (or its equivalent), generally a Level 3 input in the fair value hierarchy, as provided by our investees. Critical inputs to NAV estimates included valuations of the underlying real estate assets and borrowings, which incorporate investment-specific assumptions such as discount rates, capitalization rates, rental and expense growth rates and asset-specific market borrowing rates. No adjustments to NAV estimates provided by investees, including adjustments to contemplate any restrictions to the transferability of ownership interests embedded within investment agreements to which we are a party, were considered necessary based upon the following factors: (1) our understanding of the methodology utilized and inputs incorporated to estimate NAV at the investee level derived through LaSalle's role as advisor or manager of these ventures; (2) consideration of market demand for the specific types of real estate assets held by each venture; and (3) contemplation of real estate and capital markets conditions in the localities in which these ventures operate.

The following table shows the roll forward of our investments in real estate ventures that are accounted for at fair value (\$ in millions):

	2015	2014
Fair value investments as of January 1,	\$ 113.6	78.9
Investments	22.7	7.0
Distributions	(2.7)	) (0.5
Net fair value gain	7.0	2.7
Foreign currency translation adjustments, net	(1.6)	) 0.5
Fair value investments as of June 30,	\$ 139.0	88.6

(7) Stock-Based Compensation

Restricted Stock Unit Awards

Along with cash-based salaries and performance-based annual cash incentive awards, restricted stock unit awards represent an important element of our compensation program.

Restricted stock unit activity for the three months ended June 30, 2015 and 2014 is as follows:

	Shares (thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life
Unvested at April 1, 2015	819.6	\$101.13	
Granted	10.2	172.93	
Vested	(14.3)	) 85.82	
Forfeited	(6.5)	) 87.58	
Unvested at June 30, 2015	809.0	\$102.41	2.15
Unvested shares expected to vest	785.9	\$102.62	2.16
Unvested at April 1, 2014	1,031.1	\$80.92	
Granted	13.1	121.12	
Vested	(10.7)	) 34.13	
Forfeited	(6.2)	) 79.28	
Unvested at June 30, 2014	1,027.3	\$81.93	2.15
Unvested shares expected to vest	993.6	\$82.10	2.16

Restricted stock unit activity for the six months ended June 30, 2015 and 2014 is as follows:

	Shares (thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life
Unvested at January 1, 2015	745.3	\$90.43	
Granted	130.3	160.91	
Vested	(56.1)	) 81.94	
Forfeited	(10.5)	) 88.16	
Unvested at June 30, 2015	809.0	\$102.41	2.15
Unvested shares expected to vest	785.9	\$102.62	2.16
Unvested at January 1, 2014	1,025.3	\$73.10	
Granted	148.4	118.66	
Vested	(140.2)	) 56.36	
Forfeited	(6.2)	) 79.28	
Unvested at June 30, 2014	1,027.3	\$81.93	2.15
Unvested shares expected to vest	993.6	\$82.10	2.16

We determine the fair value of restricted stock units based on the closing market price of the Company's common stock on the grant date. As of June 30, 2015, we had \$32.1 million of unamortized deferred compensation related to unvested restricted stock units, which is anticipated to be recognized over varying periods into 2020.

Shares vested during the three months ended June 30, 2015 and 2014 had grant date fair values of \$1.2 million and \$0.4 million, respectively, and \$4.6 million and \$7.9 million for the six months ended June 30, 2015 and 2014, respectively. Shares granted during the three months ended June 30, 2015 and 2014, had grant date fair values of \$1.8 million and \$1.6 million, respectively, and \$21.0 million and \$17.6 million for the six months ended June 30, 2015 and 2014, respectively.

Other Stock Compensation Programs

We maintain a stock-based compensation plan for our United Kingdom and Ireland-based employees, the Jones Lang LaSalle Savings Related Share Option Plan ("Save as You Earn" or "SAYE"). Under this plan, employees make an annual election to contribute to the plan to purchase stock at a 15% discount from the market price at the beginning of the plan's three and five year vesting periods. No options were issued during the six months ended June 30, 2015 and 2014. The fair value of options granted under the SAYE plan are amortized over their respective vesting periods. There were approximately 162,700 and 176,400 options outstanding under the SAYE plan at June 30, 2015 and December 31, 2014, respectively.

(8) Retirement Plans

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

Net periodic pension cost (income) consisted of the following (\$ in millions):

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Employer service cost - benefits earned during the period	\$1.3	1.0	\$2.6	1.9
Interest cost on projected benefit obligation	3.7	4.1	7.3	8.2
Expected return on plan assets	(5.3	) (6.2	) (10.5	) (12.4
Net amortization of deferrals	0.8	0.3	1.6	0.5
Recognized actuarial loss	0.4	—	0.8	0.1
Net periodic pension cost (income)	\$0.9	(0.8	) \$1.8	(1.7

The expected return on plan assets, included in net periodic pension cost (income) during 2015 was based on forecasted long-term rates of return on the plan assets of each individual plan; expected returns range from 2.7% to 5.8%.

For the three months ended June 30, 2015 and 2014, we made payments of \$2.6 million and \$3.0 million, respectively, to these plans. For the six months ended June 30, 2015 and 2014, we made payments of \$5.4 million and \$6.6 million, respectively, to these plans. We expect to contribute an additional \$7.6 million to these plans during the last six months of 2015, for a total of \$13.0 million in 2015. We contributed \$14.6 million to these plans during the year ended December 31, 2014.

(9) Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures," establishes a framework for measuring fair value highlighted by the following three-tier fair value hierarchy:

- Level 1. Observable inputs such as quoted prices for identical assets or liabilities in active markets;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
-

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

There were no transfers among levels of valuations during either the three and six months ended June 30, 2015 or 2014.

Financial Instruments

Our financial instruments include Cash and cash equivalents, Trade receivables, Notes and other receivables, Warehouse receivables, Accounts payable, Short-term borrowings, Warehouse facility, Credit facility, Long-term senior notes and foreign currency exchange contracts. The estimated fair value of Cash and cash equivalents, Trade receivables, Notes and other receivables, Warehouse receivables, Accounts payable, and the Warehouse facility approximates their carrying amounts due to the short maturity of these instruments. The estimated fair value of our Credit facility and Short-term borrowings approximates their carrying value given the variable interest rate terms and market spreads.

We estimated the fair value of our Long-term senior notes as \$281.7 million and \$285.3 million at June 30, 2015 and December 31, 2014, respectively, using dealer quotes that are Level 2 inputs in the fair value hierarchy. The carrying value of our Long-term senior notes was \$275.0 million at June 30, 2015 and December 31, 2014.

We record Warehouse receivables at the lower of cost or fair value based on the committed purchase price. When applicable, we determine the fair value of Warehouse receivables based on readily observable Level 2 inputs.

Recurring Fair Value Measurements

The following table categorizes by level in the fair value hierarchy the estimated fair value at June 30, 2015 and December 31, 2014 of our assets and liabilities that are measured at fair value on a recurring basis (\$ in millions):

	June 30, 2015		December 31, 2014	
	Level 2	Level 3	Level 2	Level 3
Assets				
Foreign currency forward contracts receivable	\$14.4	—	\$10.5	—
Deferred compensation plan assets	126.6	—	111.2	—
Investments in real estate ventures - fair value	—	139.0	—	113.6
Total assets at fair value	\$141.0	139.0	\$121.7	113.6
Liabilities				
Foreign currency forward contracts payable	\$10.8	—	\$18.2	—
Deferred compensation plan liabilities	126.1	—	107.9	—
Total liabilities at fair value	\$136.9	—	\$126.1	—

Foreign Currency Forward Contracts

We regularly use foreign currency forward contracts to manage our currency exchange rate risk related to intercompany lending and cash management practices. We estimate the fair value of these contracts based on current market rates. The inputs for these valuations are Level 2 inputs in the fair value hierarchy. At June 30, 2015, these forward exchange contracts had a gross notional value of \$1.90 billion (\$976.0 million on a net basis) and were recorded on our Consolidated Balance Sheet as Other current assets of \$14.4 million and Other current liabilities of \$10.8 million. At December 31, 2014, these forward exchange contracts had a gross notional value of \$2.03 billion (\$1.19 billion on a net basis) and were recorded on our Consolidated Balance Sheet as Other current assets of \$10.5 million and Other current liabilities of \$18.2 million.

The revaluations of our foreign currency forward contracts resulted in net gains of \$3.6 million and \$3.5 million for the three months ended June 30, 2015 and 2014, respectively. Gains and losses from the revaluation of these contracts are recognized as a component of Operating, administrative and other expense and are offset by the gains and losses recognized on the revaluation of intercompany loans and other foreign currency balances such that the impact to net income was not significant for either of the three or six months ended June 30, 2015 or 2014.

The asset and liability positions recorded for our foreign currency forward contracts are based on the net payable or net receivable position with the financial institutions from which we purchase these contracts. The \$14.4 million asset at June 30, 2015 was comprised of gross contracts with receivable positions of \$14.7 million and payable positions of \$0.3 million. The \$10.8 million liability at June 30, 2015 was comprised of gross contracts with receivable positions of \$0.9 million and payable positions of \$11.7 million. At December 31, 2014, the \$10.5 million asset was comprised of gross contracts with receivable positions of \$12.5 million and payable positions of \$2.0 million. The \$18.2 million liability at December 31, 2014, was comprised of gross contracts with receivable positions of \$1.1 million and payable positions of \$19.3 million.

Deferred Compensation Plan

We maintain a deferred compensation plan for certain of our U.S. employees that allows them to defer portions of their compensation. We invest directly in insurance contracts which yield returns to fund these deferred compensation obligations. We recognize an asset for the amount that could be realized under these insurance contracts at the balance sheet date, and the deferred compensation obligation is adjusted to reflect the changes in the fair value of the amount owed to the employees. The inputs for this valuation are Level 2 inputs in the fair value hierarchy. This plan was recorded on our Consolidated Balance Sheet at June 30, 2015, as Deferred compensation plan assets of \$126.6 million within current assets, long-term Deferred

compensation liabilities of \$126.1 million, and as a reduction of equity, Shares held in trust, of \$6.3 million. This plan was recorded on our Consolidated Balance Sheet at December 31, 2014 as Deferred compensation plan assets of \$111.2 million, long-term Deferred compensation liabilities of \$107.9 million, and as a reduction of equity, Shares held in trust, of \$6.4 million.

Investments in Real Estate Ventures

We report certain direct investments in real estate ventures at fair value. We had \$139.0 million and \$113.6 million at June 30, 2015 and December 31, 2014, respectively, of direct investments in real estate ventures that were reported at fair value. For these investments in real estate ventures, we increase or decrease our investment each reporting period by the change in the fair value of these investments. These fair value adjustments are reported in our Consolidated Statements of Comprehensive Income within Equity earnings from real estate ventures. As discussed in Note 6, Investments in Real Estate Ventures, we estimate the fair value of these investments using NAV per share (or its equivalent), generally a Level 3 input in the fair value hierarchy, provided by investees.

Non-Recurring Fair Value Measurements

We review our investments in real estate ventures, except those investments otherwise reported at fair value, on a quarterly basis, or as otherwise deemed necessary, for indications of whether we may not be able to recover the carrying value of our investments and whether such investments are other than temporarily impaired. When the carrying amount of the investment is in excess of the estimated future undiscounted cash flows, we use a discounted cash flow approach or other acceptable method to determine the fair value of the investment in computing the amount of the impairment. Our determination of fair value primarily relies on Level 3 inputs. We did not recognize any investment-level impairment losses during either of the three or six months ended June 30, 2015 or 2014. See Note 6, Investments in Real Estate Ventures, for additional information, including information related to impairment charges recorded at the investee level.

(10)Debt

Credit Facility

On February 25, 2015, we amended and expanded our credit facility (the "Facility"), which resulted in: (1) an increase in our borrowing capacity from \$1.2 billion to \$2.0 billion; (2) an extension of the maturity date from October 4, 2018 to February 25, 2020; (3) increases in certain add-backs to Adjusted EBITDA (as defined in the Facility) for the calculation of the leverage ratio to provide additional operating flexibility; and (4) a range of pricing from LIBOR plus 1.00% to 2.05%, with pricing as of June 30, 2015 at LIBOR plus 1.00%. Under this new agreement, our leverage ratio cannot exceed 3.50 to 1, except immediately following a material acquisition, in which case, the leverage ratio maximum is 4.00 to 1 for up to four consecutive quarters. Other key terms and conditions of the Facility were unchanged as part of the current amendment and expansion.

At June 30, 2015, we had outstanding borrowings under the Facility of \$330.0 million and outstanding letters of credit of \$23.0 million. At December 31, 2014, we had no outstanding borrowings under the Facility and outstanding letters of credit of \$22.0 million. The average outstanding borrowings under the Facility were \$397.4 million and \$491.8 million during the three months ended June 30, 2015 and 2014, respectively, and \$277.7 million and \$383.3 million during the six months ended June 30, 2015 and 2014, respectively.

The effective interest rates on our Facility were 1.1% and 1.0% for the three months ended June 30, 2015 and 2014, respectively, and 1.1% during both the six months ended June 30, 2015 and 2014.

We remained in compliance with all covenants under our Facility as of June 30, 2015, including a minimum cash interest coverage ratio of 3.00 to 1 and the maximum leverage ratio discussed above.

Included in debt for the calculation of the leverage ratio is the present value of deferred business acquisition obligations and included in Adjusted EBITDA (as defined in the Facility) are, among other things, (1) an add-back for stock-based compensation expense, (2) the addition of the EBITDA of acquired companies earned prior to acquisition, and (3) add-backs for certain impairment and non-recurring charges. In addition, we are restricted from, among other things, incurring certain levels of indebtedness to lenders outside of the Facility and disposing of a significant portion of our assets. Lender approval or waiver is required for certain levels of cash acquisitions and co-investment.

We will continue to use the Facility for business acquisitions, working capital needs (including payment of accrued incentive compensation), co-investment activities, dividend payments, share repurchases, and capital expenditures.

Short-Term Borrowings

In addition to our Facility, we have the capacity to borrow up to an additional \$42.1 million under local overdraft facilities. We had short-term borrowings (including capital lease obligations and local overdraft facilities) of \$22.2 million and \$19.6 million at June 30, 2015 and December 31, 2014, respectively, of which \$16.4 million and \$14.6 million at June 30, 2015 and December 31, 2014, respectively, was attributable to local overdraft facilities.

Long-Term Senior Notes

In November 2012, in an underwritten public offering, we issued \$275.0 million of Long-term senior notes due November 2022 (the "Notes"). The Notes bear interest at an annual rate of 4.4%, subject to adjustment if a credit rating assigned to the Notes is downgraded below an investment grade rating (or subsequently upgraded). Interest is payable semi-annually on May 15 and November 15.

(11) Commitments and Contingencies

We are a defendant in various litigation matters arising in the ordinary course of business, some of which involve claims for damages that are substantial in amount. Many of these litigation matters are covered by insurance (including insurance provided through a consolidated captive insurance company as further discussed below), but they may nevertheless be subject to large deductibles 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.

In order to better manage our global insurance program and support our risk management efforts, we supplement our traditional insurance coverage for certain types of claims by using a wholly-owned captive insurance company. The level of risk retained by our captive insurance company, with respect to professional indemnity claims, is up to \$2.5 million per claim, inclusive of the deductible. When a potential loss event occurs, management estimates the ultimate cost of the claim and accrues the related cost in Other current and long-term liabilities on our Consolidated Balance Sheets when probable and estimable. The following table shows the professional indemnity accrual activity and the related payments made during the six months ended June 30, 2015 and 2014 (\$ in millions):

	Accrual Activity
January 1, 2015	\$9.2
New claims	2.5
Prior year claims adjustments	0.2
Claims paid	—
June 30, 2015	\$11.9
January 1, 2014	\$6.2
New claims	3.1
Prior year claims adjustments	(0.2)
Claims paid	(0.6)
June 30, 2014	\$8.5

(12) Restructuring and Acquisition Charges

There were \$1.8 million and \$2.6 million of Restructuring and acquisition charges included in Net income during the three and six months ended June 30, 2015 primarily consisting of (1) acquisition-related costs and (2) lease exit

charges. For the three and six months ended June 30, 2014, we recognized \$5.5 million and \$41.4 million, respectively, of Restructuring and acquisition charges, of which \$34.5 million of the \$41.4 million total was related to the write-off of an indemnification asset that arose from prior period acquisition activity. This write-off was offset by the recognition of a related previously unrecognized tax benefit of an equal amount in the provision for income taxes, and therefore had no impact on net income. The remaining \$6.9 million of expense recognized during the six months ended June 30, 2014 consisted of (1) severance, (2) lease exit fair value reserve adjustments, and (3) other acquisition and information technology integration costs.

The following table shows the restructuring and acquisition accrual activity, exclusive of the \$34.5 million indemnification asset write-off in 2014, and the related payments made during the six months ended June 30, 2015 and 2014 (\$ in millions):

	Severance	Retention Bonuses	Lease Exit	Other Acquisition Costs	Total
January 1, 2015	\$3.0	—	4.2	0.4	\$7.6
Accruals	—	—	0.2	2.4	2.6
Payments made	(1.4	) —	(1.9	) (2.6	) (5.9
June 30, 2015	\$1.6	—	2.5	0.2	\$4.3
	Severance	Retention Bonuses	Lease Exit	Other Acquisition Costs	Total
January 1, 2014	\$3.8	0.4	5.9	0.4	\$10.5
Accruals	2.4	—	3.2	1.3	6.9
Payments made	(2.4	) —	(2.4	) (1.6	) (6.4
June 30, 2014	\$3.8	0.4	6.7	0.1	\$11.0

We expect that the majority of accrued severance and other accrued acquisition costs will be paid during the second half of 2015. Lease exit payments are dependent on the terms of various leases, which extend as far out as 2017.

(13) Noncontrolling Interest

Changes in amounts attributable to noncontrolling interests are reflected in the Consolidated Statement of Changes in Equity, whereas changes in amounts attributable to redeemable noncontrolling interests are presented in the following table (\$ in millions):

Redeemable noncontrolling interests as of January 1, 2015	\$13.4
Acquisition of redeemable noncontrolling interest (1)	(2.8
Net income	0.2
Impact of exchange rate movements	(0.9
Redeemable noncontrolling interests as of June 30, 2015	\$9.9

(1) Reflects our redemption of a portion of the redeemable noncontrolling interest related to our 2014 acquisition of Tenzing AB and includes \$0.2 million representing the difference between the redemption value and the carrying value of the acquired interest.

(14) Subsequent Events

Subsequent to June 30, 2015, JLL announced the completion of the following business acquisitions:

- AVM Partners - a Turkey-based retail management and leasing business;
- LodgeTax - a U.S.-based leader in hotel real estate tax services and consulting;
- Shelter Bay Retail Group - a California-based retail property management firm;
- CMM Projekt & Office Solutions GmbH - a German fit-out business to be integrated into our Tetris platform; and
- Bluu - a United Kingdom-based fit out company also intended for integration into our Tetris platform.

Total consideration, including maximum potential earn-out payments, of the above business acquisitions aggregated to \$80.3 million.

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

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements, including the notes thereto, for the three and six months ended June 30, 2015, and Jones Lang LaSalle's ("JLL," which may also be referred to as "the Company" or as "the Firm," "we," "us" or "our") audited Consolidated Financial Statements and notes thereto for the fiscal year ended December 31, 2014, which are included in our 2014 Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission ("SEC") and also available on our website (www.jll.com). You should also refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our 2014 Annual Report on Form 10-K.

The following discussion and analysis contains certain forward-looking statements generally identified by the words anticipates, believes, estimates, expects, plans, intends and other similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause JLL's actual results, performance, achievements, plans and objectives to be materially different from any future results, performance, achievements, plans and objectives expressed or implied by such forward-looking statements. See the Cautionary Note Regarding Forward-Looking Statements included within this section for further information.

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

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

Summary of Critical Accounting Policies and Estimates

An understanding of our accounting policies is necessary for a complete analysis of our results, financial position, liquidity and trends. See Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements in our 2014 Annual Report on Form 10-K for a complete summary of our significant accounting policies.

The preparation of our financial statements requires management to make certain critical accounting estimates and judgments that impact (1) the stated amount of assets and liabilities, (2) disclosure of contingent assets and liabilities at the date of the financial statements, and (3) the reported amount of revenue and expenses during the reporting periods. These accounting estimates are based on management's judgment. We consider them to be critical because of their significance to the financial statements and the possibility that future events may differ from current judgments, or that the use of different assumptions could result in materially different estimates. We review these estimates on a periodic basis to ensure reasonableness. Although actual amounts likely differ from such estimated amounts, we believe such differences are not likely to be material.

A discussion of our critical accounting policies and estimates used in the preparation of our Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q can be found in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2014. There have been no material changes to these critical accounting policies and estimates during the six months ended June 30, 2015.

The following are the critical accounting policies and estimates discussed in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2014:

- Revenue Recognition;
- Allowance for Uncollectible Accounts Receivable;

Asset Impairments;
Income Taxes; and
Self-Insurance Programs.

In addition to the aforementioned critical accounting policies, we believe the calculation of our quarterly tax provision is critical to understanding the estimates and assumptions used in preparing the Consolidated Financial Statements in Item 1.

Quarterly Income Tax Provision

Our fiscal year estimated effective tax rate is based on estimates that are updated each quarter. Our effective tax rate for the six months ended June 30, 2015 and our forecasted tax rate for 2015 is approximately 25.4%. 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, which is based on

forecasted income by country and expected enacted tax rates. We evaluate our estimated effective tax rate on a quarterly basis to reflect forecast changes in our geographic mix of income and legislative actions on statutory tax rates and other relevant matters effective in the quarter in which the legislation is enacted.

The geographic mix of our income can significantly impact our effective tax rate. Tax rate jurisdictions with effective national and local combined tax rates of 25% or lower with the most significant impact on our effective tax rate include: Hong Kong (16.5%), Singapore (17%), the United Kingdom (20.25%), The People's Republic of China (25%) and the Netherlands (25%). Other tax rate jurisdictions with effective rates of 25% or lower making meaningful contributions to our global effective tax rate include: Cyprus (12.5%), Ireland (12.5%), Poland (19%), Russia (20%), Saudi Arabia (20%), Turkey (20%) and Sweden (22%).

Items Affecting Comparability

Macroeconomic Conditions

Our results of operations and the variability of these results are significantly influenced by (1) macroeconomic trends, (2) the geopolitical environment, (3) the global and regional real estate markets, and (4) the financial and credit markets. These macroeconomic and other conditions have had, and we expect will continue to have, a significant impact on the variability of our results of operations.

LaSalle Investment Management Revenue

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

Equity earnings from real estate ventures also may vary substantially from period to period for a variety of reasons, including as a result of: (1) impairment charges, (2) gains (losses) on investments reported at fair value, (3) gains (losses) on asset dispositions, and (4) incentive fees recorded as Equity earnings. The timing of recognition of these items may impact comparability between quarters, in any one year, or compared to a prior year.

The comparability of these items can be seen in Note 4, Business Segments, of the Notes to Consolidated Financial Statements and is discussed further in Segment Operating Results included herein.

Transactional-Based Revenue

Transactional-based fees for real estate investment banking, capital markets activities and other services within our Real Estate Services ("RES") businesses increase the variability of the revenue we receive that relates to the size and timing of our clients' transactions. The timing and the magnitude of these fees can vary significantly from year to year and quarter to quarter, and from region to region.

Foreign Currency

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

Seasonality

Our quarterly revenue and profits tend to grow progressively by quarter throughout the year. This is the result of a general focus in the real estate industry on completing or documenting transactions by fiscal year-end and the fact that certain expenses are constant through the year. Historically, we have reported a relatively smaller profit in the first quarter and then increasingly larger profits during each of the following three quarters, excluding the recognition of investment-generated performance fees and co-investment equity gains and losses (each of which can be unpredictable). We generally recognize such performance fees and realized co-investment equity gains or losses when assets are sold, the timing of which is geared toward the benefit of our clients. Non-variable operating expenses, which we treat as expenses when incurred during the year, are relatively constant on a quarterly basis.

A significant portion of our Compensation and benefits expense is from incentive compensation plans, which we generally accrue throughout the year based on progress toward annual performance targets. This quarterly estimation can result in

significant fluctuations in quarterly Compensation and benefit expense from period to period. Consequently, the results for the periods ended June 30, 2015 and 2014 are not indicative of the results expected to be obtained for the full fiscal year.

Results of Operations

Reclassifications

We report Equity earnings from real estate ventures in our Consolidated Statements of Comprehensive Income after Operating income. However, for segment reporting we reflect Equity earnings from real estate ventures within Total segment revenue. See Note 4, Business Segments, of the Notes to Consolidated Financial Statements for Equity earnings reflected within Total segment revenue, as well as discussion of how the Chief Operating Decision Maker (as defined in Note 4) measures segment results with Equity earnings included in Total segment revenue. Certain prior year amounts have been reclassified to conform to the current presentation. These reclassifications have not been material and have not affected reported net income.

Three and Six Months Ended June 30, 2015 Compared to Three and Six Months Ended June 30, 2014

In order to provide more meaningful year-over-year comparisons of our reported results, we have included in the table below both the U.S. dollar and local currency movements in the Consolidated Statements of Comprehensive Income.

(\$ in millions)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Change in U.S. dollars			% Change in Local Currency	
Revenue							
Real Estate Services:							
Leasing	\$379.0	366.8	12.2	3	%	8	%
Capital Markets & Hotels	222.8	182.2	40.6	22	%	33	%
Property & Facility Management (1)	258.6	260.6	(2.0)	(1)	(%)	7	%
Project & Development Services (1)	121.4	102.8	18.6	18	%	29	%
Advisory, Consulting and Other	119.9	103.6	16.3	16	%	27	%
LaSalle	80.1	70.0	10.1	14	%	24	%
Total firm fee revenue	\$1,181.8	1,086.0	95.8	9	%	17	%
Gross contract costs	191.7	191.2	0.5	—	%	15	%
Total firm revenue	\$1,373.5	1,277.2	96.3	8	%	16	%
Compensation, operating and administrative expenses excluding gross contract costs							
Gross contract costs	191.7	191.2	0.5	—	%	15	%
Depreciation and amortization	25.5	22.7	2.8	12	%	18	%
Restructuring and acquisition charges	1.8	5.5	(3.7)	(67)	(%)	(68)	(%)
Total operating expenses	\$1,270.5	1,185.5	85.0	7	%	16	%
Operating income	\$103.0	91.7	11.3	12	%	22	%
Adjusted EBITDA (2)	\$157.4	132.4	25.0	19	%	27	%

(1) Amounts have been adjusted to remove gross contract costs. See Note 3, Revenue Recognition, of the Notes to Consolidated Financial Statements for additional information on gross contract costs.

(2) Adjusted EBITDA represents earnings before interest expense net of interest income, income taxes, depreciation and amortization, adjusted for restructuring and acquisition charges. Although adjusted EBITDA and EBITDA are non-GAAP financial measures, they are used extensively by management and are useful to investors and lenders as metrics for evaluating operating performance and liquidity. EBITDA is also used in the calculations of certain covenants related to the Firm's revolving credit facility. However, adjusted EBITDA and EBITDA should not be

considered as alternatives to net income determined in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Because adjusted EBITDA and EBITDA are not calculated under U.S. GAAP, the Firm's adjusted EBITDA and EBITDA may not be comparable to similarly titled measures used by other companies.

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(\$ in millions)	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Change in U.S. dollars			% Change in Local Currency		
Revenue								
Real Estate Services:								
Leasing	\$685.1	636.0	49.1	8	%	12	%	
Capital Markets & Hotels	400.1	299.5	100.6	34	%	45	%	
Property & Facility Management (1)	518.4	507.7	10.7	2	%	9	%	
Project & Development Services (1)	222.6	190.2	32.4	17	%	27	%	
Advisory, Consulting and Other	218.7	196.6	22.1	11	%	22	%	
LaSalle	166.0	133.7	32.3	24	%	34	%	
Total firm fee revenue	\$2,210.9	1,963.7	247.2	13	%	20	%	
Gross contract costs	366.1	350.9	15.2	4	%	18	%	
Total firm revenue	\$2,577.0	2,314.6	262.4	11	%	20	%	
Compensation, operating and administrative expenses excluding gross contract costs	\$2,002.3	1,800.8	201.5	11	%	19	%	
Gross contract costs	366.1	350.9	15.2	4	%	18	%	
Depreciation and amortization	50.4	45.1	5.3	12	%	17	%	
Restructuring and acquisition charges	2.6	41.4	(38.8)	(94	%)	(94	%)	
Total operating expenses	\$2,421.4	2,238.2	183.2	8	%	16	%	
Operating income	\$155.6	76.4	79.2	n.m.		n.m.		
Adjusted EBITDA (2)	\$247.2	184.4	62.8	34	%	43	%	
n.m. - not meaningful								

(1) Amounts have been adjusted to remove gross contract costs. See Note 3, Revenue Recognition, of the Notes to Consolidated Financial Statements for additional information on gross contract costs.

(2) Adjusted EBITDA represents earnings before interest expense net of interest income, income taxes, depreciation and amortization, adjusted for restructuring and acquisition charges. Although adjusted EBITDA and EBITDA are non-GAAP financial measures, they are used extensively by management and are useful to investors and lenders as metrics for evaluating operating performance and liquidity. EBITDA is also used in the calculations of certain covenants related to the Firm's revolving credit facility. However, adjusted EBITDA and EBITDA should not be considered as alternatives to net income determined in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Because adjusted EBITDA and EBITDA are not calculated under U.S. GAAP, the Firm's adjusted EBITDA and EBITDA may not be comparable to similarly titled measures used by other companies.

Below is a reconciliation of net income (calculated pursuant to U.S. GAAP) to EBITDA and adjusted EBITDA:

(\$ in millions)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net income	\$91.4	\$72.4	\$134.7	\$88.5
Add:				
Interest expense, net of interest income	7.6	7.6	13.6	14.3
Provision for (benefit from) income taxes	31.1	24.1	45.9	(5.0)
Depreciation and amortization	25.5	22.8	50.4	45.2
EBITDA	\$155.6	\$126.9	\$244.6	\$143.0
Add:				
Restructuring and acquisition charges	1.8	5.5	2.6	41.4

Adjusted EBITDA	\$157.4	\$132.4	\$247.2	\$184.4
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In the second quarter of 2015, fee revenue was \$1.2 billion, a 17% increase in local currency from 2014. Growth was broad-based across geographic and services segments. Capital Markets & Hotels revenue increased \$40.6 million, or 33% in local currency, to \$222.8 million, led by EMEA up 38% to \$113.2 million, but with increases of over 20% from prior year in each geographic segment. These increases in transactional revenues reflect our services to both investors and occupiers in markets supported by increasing cross-border capital allocations to real estate, low interest rates and corporate occupier demand. Project & Development Services fee revenue increased \$18.6 million, or 29% in local currency, to \$121.4 million, also from increases of over 20% from prior year in each geographic segment. Our Property & Facility Management fee revenue, most of which comes from multi-year contracts and customer relationships, grew 7% in local currency to \$258.6 million, led by Asia Pacific up 13% and Americas up 8%. LaSalle Investment Management ("LaSalle") advisory fees grew 8% in local currency to \$59.8 million, which along with incentive fees of \$11.9 million and transaction fees of \$8.4 million contributed to a total revenue increase for LaSalle of 24% in local currency, not including equity earnings which more than doubled to \$25.4 million from legacy investment dispositions as described in the segment results. LaSalle continued to successfully raise and deploy capital, with \$3.0 billion in equity raised in the first half of the year and increasing assets under management to \$56.0 billion from \$53.6 billion in the first half of the year.

Consolidated fee-based operating expenses, excluding restructuring and acquisition charges, were \$1.1 billion for the second quarter of 2015, compared with \$988.8 million, an increase of 17% in local currency. Operating income, adjusted for restructuring and acquisition charges ("adjusted operating income"), was \$104.8 million for the second quarter of 2015, compared with \$97.2 million for the second quarter of 2014. Adjusted EBITDA includes equity earnings, in addition to adding depreciation and amortization to adjusted operating income, and totaled \$157.4 million for the three months ended June 30, 2015, compared with \$132.4 million last year. Adjusted operating income margins calculated on a fee revenue basis were 8.9% for the three months ended June 30, 2015, and 9.0% for the comparable period last year; current period margins were impacted as a result of platform investments in technology and timing of transactions more than prior period margins were impacted. Adjusted EBITDA margins calculated on a fee revenue basis were 13.3% for the second quarter of 2015 and 12.2% last year.

For the six months ended June 30, 2015, fee revenue was \$2.2 billion, a 20% increase in local currency from 2014. Capital Markets & Hotels revenue increased \$100.6 million, or 45% in local currency, to \$400.1 million, led by Americas up 52% and EMEA up 46%. Project & Development Services fee revenue increased \$32.4 million, or 27% in local currency, to \$222.6 million, from increases of over 20% from prior year in each geographic segment. Property & Facility Management fee revenue grew 9% in local currency to \$518.4 million, led by Asia Pacific up 13% and Americas up 9%. LaSalle advisory fees grew 12% in local currency to \$120.6 million, which along with incentive fees of \$30.9 million and transaction fees of \$14.5 million contributed to a total revenue increase for LaSalle of 34% in local currency, not including equity earnings which increased to \$36.8 million from \$20.3 million.

Consolidated fee-based operating expenses, excluding restructuring and acquisition charges, were \$2.1 billion for the first six months of 2015, compared with \$1.8 billion, an increase of 19% in local currency. Adjusted operating income was \$158.2 million for the first six months of 2015, compared with \$117.8 million for the comparable period in 2014. Adjusted EBITDA totaled \$247.2 million for the six months ended June 30, 2015, compared with \$184.4 million last year. Adjusted operating income margins calculated on a fee revenue basis were 7.2% for the six months ended June 30, 2015, and 6.0% for the comparable period last year. Adjusted EBITDA margins calculated on a fee revenue basis were 11.2% for the first six months of 2015 and 9.4% last year.

Net interest expense for the three months ended June 30, 2015 decreased slightly compared to the second quarter of 2014, and for the six months ended June 30, 2015 was \$13.6 million, down from \$14.3 million for the comparable prior year period, as slightly higher borrowing costs partially offset lower average borrowings compared with last year. The effective tax rate for the three and six months ended June 30, 2015 was 25.4%, which represents our estimated effective tax rate for full-year 2015 and is consistent with our effective tax rate for the year ended December 31, 2014.

Segment Operating Results

We manage and report our operations as four business segments:

The three geographic regions of RES including:

- (i) Americas,
- (ii) Europe, Middle East and Africa ("EMEA"), and
- (iii) Asia Pacific;
- and
- (iv) LaSalle, which offers investment management services on a global basis.

Each geographic region offers our full range of Real Estate Services including tenant representation and agency leasing, capital markets and hotels, property management, facilities management, project and development services, and advisory, consulting and valuation services. We consider "property management" to represent services provided to non-occupying property investors and "facilities management" to be services provided to owner-occupiers. LaSalle provides investment management services to institutional investors and high-net-worth individuals.

For segment reporting, we show revenue net of gross contract costs in our RES segments. Excluding these costs from revenue and expenses results in a "net" presentation of "fee revenue" and "fee-based operating expense" that we believe more accurately reflects how we manage our expense base and operating margins. See Note 3, Revenue Recognition, of the Notes to Consolidated Financial Statements for additional information regarding our gross and net accounting. For segment reporting, we also show Equity earnings from real estate ventures within our revenue line, since the related activity is an integral part of LaSalle. Finally, our measure of segment results excludes Restructuring and acquisition charges.

Americas - Real Estate Services

(\$ in millions)	Three Months	Three Months	Change in			% Change	
	Ended	Ended	U.S. dollars			in Local	
	June 30, 2015	June 30, 2014				Currency	
Leasing	\$263.7	250.5	13.2	5	%	6	%
Capital Markets & Hotels	76.5	59.2	17.3	29	%	30	%
Property & Facility Management (1)	111.9	107.6	4.3	4	%	8	%
Project & Development Services (1)	60.4	51.3	9.1	18	%	22	%
Advisory, Consulting and Other	32.1	24.0	8.1	34	%	36	%
Equity earnings	0.5	1.0	(0.5)	(50)	%	(41)	%
Total segment fee revenue	\$545.1	493.6	51.5	10	%	12	%
Gross contract costs	52.9	51.5	1.4	3	%	14	%
Total segment revenue	\$598.0	545.1	52.9	10	%	12	%
Compensation, operating and administrative expenses excluding gross contract costs	\$483.8	433.3	50.5	12	%	14	%
Gross contract costs	52.9	51.5	1.4	3	%	14	%
Depreciation and amortization	15.3	13.5	1.8	13	%	14	%
Total operating expenses	\$552.0	498.3	53.7	11	%	14	%
Operating income	\$46.0	46.8	(0.8)	(2)	%	(4)	%
Adjusted EBITDA	\$61.3	60.3	1.0	2	%	—	%

(1) Amounts have been adjusted to remove gross contract costs.

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(\$ in millions)	Six Months	Six Months	Change in			% Change	
	Ended	Ended	U.S. dollars			in Local	
	June 30, 2015	June 30, 2014				Currency	
Leasing	\$492.9	438.2	54.7	12	%	13	%
Capital Markets & Hotels	151.3	100.3	51.0	51	%	52	%
Property & Facility Management (1)	226.1	213.7	12.4	6	%	9	%
Project & Development Services (1)	113.1	96.0	17.1	18	%	21	%
Advisory, Consulting and Other	62.4	50.7	11.7	23	%	25	%
Equity earnings	0.9	1.2	(0.3)	(25)	(%)	(24)	(%)
Total segment fee revenue	\$1,046.7	900.1	146.6	16	%	18	%
Gross contract costs	105.9	92.3	13.6	15	%	25	%
Total segment revenue	\$1,152.6	992.4	160.2	16	%	18	%
Compensation, operating and administrative expenses excluding gross contract costs	\$934.4	809.5	124.9	15	%	17	%
Gross contract costs	105.9	92.3	13.6	15	%	25	%
Depreciation and amortization	30.9	26.8	4.1	15	%	16	%
Total operating expenses	\$1,071.2	928.6	142.6	15	%	18	%
Operating income	\$81.4	63.8	17.6	28	%	25	%
Adjusted EBITDA	\$112.3	90.6	21.7	24	%	22	%

(1) Amounts have been adjusted to remove gross contract costs.

In our Americas business, fee revenue for the quarter ended June 30, 2015 was \$545.1 million, an increase of \$51.5 million, or 12% in local currency, from 2014. For the year-to-date period, fee revenue was \$1.0 billion, up \$146.6 million or 18% in local currency. Revenue growth was broad-based, with Capital Markets & Hotels up 30% in the quarter and 52% year to date, Project & Development Services up 22% in the quarter and 21% year to date, Advisory, Consulting and Other up 36% in the quarter and 25% year to date, and Leasing up 6% in the quarter and 13% year to date. Capital Markets revenue growth outpaced investment market volumes in both periods, and Leasing revenue growth outpaced gross absorption in the U.S. market, due in part to continued investment in the business through the hiring of additional brokers.

Fee-based operating expenses, excluding restructuring and acquisition charges, were \$499.1 million for the quarter, up 14% in local currency from last year, and \$965.3 million year to date, up 17% in local currency, largely supporting higher current period revenue activity but also reflecting investments in technology to support our clients and in platform to support the growing business. Operating income was \$46.0 million for the quarter compared with \$46.8 million in 2014, and was \$81.4 million for the year-to-date compared with \$63.8 million in 2014. Adjusted EBITDA was \$61.3 million for the quarter compared with \$60.3 million last year, and was \$112.3 million for the year to date compared with \$90.6 million in 2014. Operating income margins calculated on a fee revenue basis were 8.4% for the three months ended June 30, 2015, and 9.5% for the comparable period last year, but were 7.8% for the year to date compared with 7.1% in 2014. Adjusted EBITDA margins calculated on a fee revenue basis were 11.3% for the three months ended June 30, 2015 compared with 12.2% for the comparable period in 2014, but were 10.7% for the year to date compared with 10.1% in 2014.

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EMEA - Real Estate Services

(\$ in millions)	Three Months	Three Months	Change in			% Change	
	Ended	Ended	U.S. dollars			in Local	
	June 30, 2015	June 30, 2014				Currency	
Leasing	\$65.1	67.6	(2.5)	(4 %)	12	%	
Capital Markets & Hotels	113.2	93.4	19.8	21 %	38	%	
Property & Facility Management (1)	50.9	60.3	(9.4)	(16 %)	(3	%)	
Project & Development Services (1)	39.4	34.1	5.3	16 %	36	%	
Advisory, Consulting and Other	57.6	53.6	4.0	7 %	24	%	
Equity earnings	1.1	—	1.1	n.m.	n.m.		
Total segment fee revenue	\$327.3	309.0	18.3	6 %	22	%	
Gross contract costs	90.1	86.6	3.5	4 %	26	%	
Total segment revenue	\$417.4	395.6	21.8	6 %	23	%	
Compensation, operating and administrative expenses excluding gross contract costs	\$289.0	278.7	10.3	4 %	19	%	
Gross contract costs	90.1	86.6	3.5	4 %	26	%	
Depreciation and amortization	6.1	5.5	0.6	11 %	25	%	
Total operating expenses	\$385.2	370.8	14.4	4 %	21	%	
Operating income	\$32.2	24.8	7.4	30 %	48	%	
Adjusted EBITDA	\$38.3	30.3	8.0	26 %	44	%	

n.m. - not meaningful

(1) Amounts have been adjusted to remove gross contract costs.

(\$ in millions)	Six Months	Six Months	Change in			% Change	
	Ended	Ended	U.S. dollars			in Local	
	June 30, 2015	June 30, 2014				Currency	
Leasing	\$113.5	121.7	(8.2)	(7 %)	9	%	
Capital Markets & Hotels	188.3	147.8	40.5	27 %	46	%	
Property & Facility Management (1)	102.6	112.4	(9.8)	(9 %)	4	%	
Project & Development Services (1)	70.6	62.7	7.9	13 %	32	%	
Advisory, Consulting and Other	105.1	98.4	6.7	7 %	22	%	
Equity earnings	0.8	—	0.8	n.m.	n.m.		
Total segment fee revenue	\$580.9	543.0	37.9	7 %	23	%	
Gross contract costs	161.9	164.5	(2.6)	(2 %)	18	%	
Total segment revenue	\$742.8	707.5	35.3	5 %	22	%	
Compensation, operating and administrative expenses excluding gross contract costs	\$540.3	512.2	28.1	5 %	21	%	
Gross contract costs	161.9	164.5	(2.6)	(2 %)	18	%	
Depreciation and amortization	11.3	10.9	0.4	4 %	18	%	
Total operating expenses	\$713.5	687.6	25.9	4 %	20	%	
Operating income	\$29.3	19.9	9.4	47 %	81	%	
Adjusted EBITDA	\$40.6	30.8	9.8	32 %	59	%	

n.m. - not meaningful

(1) Amounts have been adjusted to remove gross contract costs.

EMEA's fee revenue performance during the second quarter and first half of the year was significantly higher in local currencies than in U.S. dollars due to the strength of the U.S. dollar against European currencies in 2015 compared with 2014.

Since revenue and expenses are generally incurred in the same currencies, the operating income and EBITDA impacts are more modest relative to the revenue impact.

EMEA's fee revenue was \$327.3 million for the second quarter, \$580.9 million year to date, up 22% and 23%, respectively, in local currency from 2014. Revenue growth was driven by Capital Markets & Hotels, up 38% in the quarter and 46% year to date, outperforming market volumes in each period; Project & Development Services, up 36% in the quarter and 32% year to date, the result of continued growth and expansion of our Tetris fit-out business; and Advisory, Consulting and Other, up 24% in the quarter and 22% year to date. Growth in the region was broad-based, led by the UK, Germany, Sweden and Central and Eastern Europe in the quarter, with additional contributions from France, Spain and MENA on a year-to-date basis.

Fee-based operating expenses, excluding restructuring and acquisition charges, were \$295.1 million for the quarter, \$551.6 million year to date, up 19% and 21%, respectively, in local currency from last year, largely supporting higher current period revenue activity. Operating income was \$32.2 million for the quarter compared with \$24.8 million in 2014, and was \$29.3 million for the year-to-date compared with \$19.9 million in 2014. Adjusted EBITDA was \$38.3 million for the quarter compared with \$30.3 million last year, and was \$40.6 million for the year to date compared with \$30.8 million in 2014. Operating income margins calculated on a fee revenue basis were 9.8% for the three months ended June 30, 2015, and 8.0% for the comparable period last year, and 5.0% for the year to date compared with 3.7% in 2014. Adjusted EBITDA margins calculated on a fee revenue basis were 11.7% for the three months ended June 30, 2015 compared with 9.8% for the comparable period in 2014, and were 7.0% for the year to date compared with 5.7% in 2014.

Asia Pacific - Real Estate Services

(\$ in millions)	Three Months	Three Months	Change in			% Change	
	Ended June 30, 2015	Ended June 30, 2014	U.S. dollars			in Local Currency	
Leasing	\$50.2	48.7	1.5	3	%	11	%
Capital Markets & Hotels	33.1	29.6	3.5	12	%	25	%
Property & Facility Management (1)	95.8	92.7	3.1	3	%	13	%
Project & Development Services (1)	21.6	17.4	4.2	24	%	38	%
Advisory, Consulting and Other	30.2	26.0	4.2	16	%	27	%
Equity earnings	0.1	—	0.1	n.m.		n.m.	
Total segment fee revenue	\$231.0	214.4	16.6	8	%	18	%
Gross contract costs	48.7	53.1	(4.4)	(8)	(%)	(1)	(%)
Total segment revenue	\$279.7	267.5	12.2	5	%	14	%
Compensation, operating and administrative expenses excluding gross contract costs	\$211.2	195.4	15.8	8	%	18	%
Gross contract costs	48.7	53.1	(4.4)	(8)	(%)	(1)	(%)
Depreciation and amortization	3.6	3.2	0.4	13	%	22	%
Total operating expenses	\$263.5	251.7	11.8	5	%	14	%
Operating income	\$16.2	15.8	0.4	3	%	24	%
Adjusted EBITDA	\$19.8	19.0	0.8	4	%	24	%

n.m. - not meaningful

(1) Amounts have been adjusted to remove gross contract costs.

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(\$ in millions)	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Change in U.S. dollars		% Change in Local Currency		
Leasing	\$78.7	76.1	2.6	3	%	11	%
Capital Markets & Hotels	60.5	51.4	9.1	18	%	31	%
Property & Facility Management (1)	189.7	181.6	8.1	4	%	13	%
Project & Development Services (1)	38.9	31.5	7.4	23	%	35	%
Advisory, Consulting and Other	51.2	47.5	3.7	8	%	17	%
Equity losses	—	(0.1	)	0.1	n.m.	n.m.	