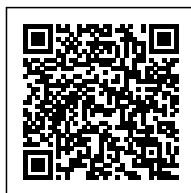


WE HAVE RETURNED TO THE PATH OF GROWTH - EMILIO CUATRECASAS

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There is no doubting the scale of the crisis that we are facing, but law firms, like any other business, must remain optimistic, says Emilio Cuatrecasas

No hay duda sobre la magnitud de la crisis que afecta a España, pero los despachos tienen que permanecer optimistas a pesar de las predicciones para el 2011, dice Emilio Cuatrecasas, presidente de Cuatrecasas Gonçalves Pereira.

This year will be complex, presenting many challenges both for Iberian businesses and those businesses looking to invest in Spain and Portugal. 2010 was a difficult year in economic conditions generally, and recovery is not expected in 2011. Therefore, I do not believe that 2011 will be any better or that the prospects will improve upon 2010.

In recent years we have experienced the bursting of a real estate bubble and stagnation of capital markets, along with greatly reduced activity in the transactional markets.

Although I believe that the boom years with double-digit growth are a thing of the past, I believe that our country is capable of growing and reacting. Our level of talent and commitment, and our ability to react positively to changing circumstances remain undiminished.

Undoubtedly the year ahead will bring continuing economic uncertainty, and the outlook for business remains difficult to forecast. Both political and economic changes are required to further stimulate the Spanish and Portuguese economies.

Given Spain and Portugal's memberships of the eurozone, it is important to note that what may once have been remedied by devaluation must now be rectified through structural reforms.

The Spanish economy faces two evident challenges: revitalising the collapsed real estate sector, and restructuring the banking and finance system.

We must remember that key changes have already been implemented, while others are under way. This includes the necessary reform of the justice system, ongoing changes in labour practices, and the consolidation of savings banks (cajas de ahorro).

Given the scale of the challenges facing us, some of these measures may seem insufficient; however, I am optimistic and confident about what our country is capable of if we organise and coordinate our work.

There is also no doubt that the Iberian legal sector, like many others, is suffering in the face of a global economic downturn, particularly because of reduced international investor confidence in Spanish and Portuguese opportunities.

I believe, and this may go against the opinion of many others, that the legal profession is a cyclical sector. In times of crisis there are fewer transactions, and therefore, less demand for legal services. This leads to reduced profit margins, pressure to manage our law firms more efficiently, and the need to add greater value to our legal services.

At Cuatrecasas Gonçalves Pereira we were able to address the crisis more effectively in 2010, thanks to our geographic diversification and the strengthening of our different practice areas.

We have placed greater emphasis on building our international presence and on strengthening our regional offices. Like many Iberian businesses, we are looking to establish ourselves in new markets and to expand in those where we already have a foothold.

In 2010 the firm's income rose to €241.7m, an increase of 3 percent over the previous year. This figure contrasts with the result for 2010, the first year since 1993 that we recorded a drop in its yearly revenue. Although this may only be considered a slight improvement, it is extremely positive given the adverse economic context.

Our planned move to new premises in Barcelona and Madrid is proof of our continuing confidence in the legal sector and the country. This will help bring all our lawyers and support staff under a single roof in Spain's two leading economic centres, enabling us to better coordinate our operations, use more advanced technologies, and optimise our efficiency.

I am confident in the solidness and quality of the new generation of talent, as well as in our ability to react to change. Although growth may not occur at the same pace as in previous, less complex times, it will arrive.

Emilio Cuatrecasas is the Executive Chairman of Cuatrecasas Gonçalves Pereira, one of Iberia's largest law firms. He is also President of airport and highway services operator Areas, and a Board Member of companies including Elor and Sol Meliá.

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