

RedHead

THE CORPORATE MAGAZINE OF THE REDHEAD FAMILY CORPORATION

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Antoshka. 15 Years

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The history of development

Introduction from Vladislav Burda



The event with which we are opening the new issue of our corporate magazine is a visit to our key partners, A. C. Haase, during the celebration of its 25th anniversary. Even though I have known Albrecht and Christine for a long time, the complexity of their activities and the number of businesses they have been able to launch over the past 25 years (among which Bübchen is but a small part) was a true revelation for me. To me this is simply a shining example of what a husband and wife can accomplish as partners if working together is their calling if and they also have a common hobby.

This summer I also took part in the Retail Reload project, the product of Sergey Filyanin's creativity. He always takes a creative approach to syndags, combining various formats for greater effectiveness, which

I like very much. His appointment as the sales director in the mass market segment, which includes both distribution and retail, promises the strong integration of both business units.

In this issue the entire history of Antoshka will unfold before your eyes. In this material you will be able to see what strategic decisions we have taken over the 15-year existence of the chain.

«Phase zero» — was the opening of sections in Children's World, the central department store and the wholesale market.

The first decision was an organizational one — *the creation of a retail system and the transition from small sections to a large supermarket.*

The second was a geographical **one**: *after opening four shops in Odessa, we decided to expand to other cities.*

The third was a bold one: *we began to open shops in a new format, with an area of about 1000 square metres, in the centre of town, in the best locations — in the centres of Odessa, Lvov, Kiev and Kharkov.*

The fourth strategic decision, a gender-related one, was that shop directors would be only women.

The fifth, «large-format», decision (to combine sales and entertainment) was made at a strategy session in 2003 and implemented in 2005: on 25 February we opened Mega-Antoshka.

The sixth decision *was made at that same time, in 2005; we decided to make our retail network professional by making it a separate business unit and starting to work with the brands consumers were interested in, and not just those we imported ourselves.*

The seventh and eighth decisions, or satellite decisions, were social ones: *to create the Antoshka Theatre of Children's Fashion and organize the Antoshka's Cup tennis tournament.*

The Theatre is a social project. We teach children to dance and how to behave on the stage and instil a sense of fashion. The tennis tournament is also a social project, because in Ukraine there are problems to this day in holding children's competitions in this sport. And both of these projects successfully promote Antoshka in society.

This year the traditional Antoshka's Cup was festive as always, and in the magazine we will share our emotions and impressions.

Many recent events were connected with FBN — both the FBN event itself and the master class on the topic «Men and Women in Family Business», in which Dima and I participated along with the Gutsal family. It was very interesting to listen to Dima at the master class itself, as well as to read his interview (the readers of this issue will also have the chance to do so). It was a very good, interesting experience for us.

The events which followed were also exciting: a visit to the family business summit in London, preceded by a meeting of RedHead's Board of Directors, and a meeting of a group of business owners, members of FBN, at a Forum in Munich.

The Board of Directors meeting was very effective. Many decisions were made, including on financial reporting, potential courses of development, ways of investing, evaluations of the actions of top management and the further strengthening of the Loss Prevention department.

After these events, the issues of uniting management and ownership have become obvious to me through using the key indicators for a family business.

The 7 key indicators of a successful company

1. Financial capital. This is the entirety of the funds available to the organization: from money in an account and current cash flow to loans or direct investments. Financial capital is critical for the health of an organization, and it is good if a company can create a free reserve in the amount of at least its two-week, or better yet, its monthly sales volume.

To support this principle, we are continuing to implement George Manners' 6 levels of financial knowledge.

2. Human capital. All the skills and experience of the employees. Capacity for innovation and communication. Capacity for leadership and collaboration. Mutual respect and trust. The level of corporate management. The level of morality in the organization. The corporate culture.

For this criterion, the Adizes method, which helps establish a level of respect and trust significantly greater than the average on the market, is the most suitable.

3. Social capital. All types of relationships established between the company and key external partners: suppliers, bankers, state agencies, clients and other entrepreneurs.

For me, participation in FBN events is the most effective, since each year I discover several dozen new business owners in Ukraine and around the world who significantly expand the network of opportunities for me personally and for the next generation. FBN Forums are also a good tool; there are a lot fewer business owners there, only eight, but we communicate very intensively, and we have a deep exchange of knowledge and experience.

4. Intellectual capital. This is all the intangible assets which give the corporation a competitive advantage. The company's brands, registered trademarks and know-how. It is especially effective when not only the marketing service is working on your marketing, but also an outsourcing agency which can observe you and your dynamics from a different angle.

For me, the main intellectual capital is the marketing work conducted in the company. Each employee should be a representative of the brand and reflect its qualities. Only then does a company become authentic.

5. Production capital. Buildings, facilities, shops, factories, offices, warehouses, production lines and all kinds of equipment — everything that forms the physical fixed assets and enables the organization to develop or — when they are insufficient — restricts it.

6. Natural capital. If a company uses natural resources (water, land, minerals, air, forests and other ecosystems) or influences them, it should have a sufficient reserve and a choice of alternatives. If it doesn't use them, it should make sure it doesn't harm them.

With each day damage to the environment is becoming more and more costly, to say nothing of the moral side of the issue.

7. Family capital. In my opinion, this is the most important criterion. Without it, everything else sooner or later becomes pointless. This concerns relationships within the family. The traditions, rules and procedures which influence its integration, solidarity and unity of goals.

This last factor also determines how deeply family members are attached emotionally to one another and to the business. The main thing is that which lies beyond financial relations. And that is what determines the future fate of the company. It takes a lot respect, attention and patience towards one's heirs. And that is what we learn from one another, without which our business would no longer be a family one.

And one more thing. Family capital is the only criterion that allows a business to survive its owners without a loss of property for the family.

If a company can keep track of these 7 indicators and see to their growth, that company will flourish for centuries. ■

CORPORATION

A. C. Haase

25 Jahre

A·C HAASE
OSTHANDELSGESELLSCHAFT mbHA·C HAASE
OSTHANDELSGESELLSCHAFT mbH

2012 was a milestone year in the activities of one of RedHead's dearest partners, the German company A.C. Haase, exclusive distributor of Bübchen and NUK baby products.

In June, all of Bübchen's distributors in Eastern Europe and Asia – the key partners of A.C. Haase – were invited to festive events and meetings in honour of the company's 25th anniversary. On behalf of RedHead, company president Vladislav Burda and senior specialist in hygiene product shipping Sergey Dubkin attended the festivities.



Souvenir Bübchen bottle in honour of the 25th anniversary of A. C. Haase Osthandelsgesellschaft mbH

25 years together — that is why they invited 160 guests from 22 countries. Each guest received a souvenir: a bottle of cream shower gel from the famous brand Bübchen. This bottle differs from the product in the shops in that it has a photograph of the hosts of the festivities from 25 years ago on the label. The guests of honour themselves received the same souvenir, only four times larger: an entire litre.

They met in 1987: a young woman specialist from Germany who was working with the Soviet ministries on equipment purchasing, and a young, ambitious entrepreneur who supplied medical equipment to the Soviet Union. On their first date, she asked, «Do you want me or my contacts?» He answered, «Both». She confessed frankly and matter-of-factly, «I was born to be the boss.» He countered, «I have a similar mission, but I can adjust!»



Gala evening for the 25th anniversary of A. C. Haase, Hamburg, 2012

Albrecht and Christine Haase told their story in front of the guests gathered at the gala evening in honour of the company's 25th anniversary (by the way, the owners' initials are contained in the company's name). The entire staff of A. C. Haase, headed by the Haases, entertained their partners from the CIS, the Baltic States, the former Yugoslavia, Poland, the Czech Republic, Hungary, and even Mongolia in Hamburg. Among guests A. C. Haase's first partners: representatives of the Tyumen Medical Supply and Equipment Factory. It was with them that the company's development on the territory of contemporary Russia began.

In Ukraine, RedHead Family Corporation is the exclusive partner of A. C. Haase. Vladislav Burda's personal visit to the Bübchen factory in 2000 and his acquaintance with Albrecht and Christine Haase laid the foundation for direct deliveries of Bübchen, longstanding stable collaboration and friendship between the owners.



1958 Jaguar, the Haase team race car, which holds the title «Most Beautiful Car» (Rally Mexico, 2006)



VLADISLAV BURDA:

The Haase family are talented entrepreneurs who have managed to combine the Russian and German mentalities. They have a huge number of projects started and implemented in the countries of the former Soviet Union. They also own the company German Products, which exports products from Germany, such as Bübchen toiletries and Dallmayr coffee. They have such a varied and diversified business that it's just amazing.

And they are also still interested in each other; they are a happy married couple.

Albrecht and Christine regularly participate in international automobile races. She is the navigator, and he is the pilot. They race in antique cars in the mountains of Mexico or other exotic locations.



At the A. C. Haase festivities, along with his congratulations Vladislav Burda presented Albrecht Haase with an additional gift: a collectible model of an antique Jaguar, brought from Mega-Antoshka. This was a token of respect for Albrecht Haase's main hobby: in addition to participating in races, he also collects sports cars.

The gala supper was held at a restaurant on the bank of the Elba after a combined tour of Hamburg on double-decker buses. At the supper the company's employees, almost 30 people, sat at one table like a big, happy family.

The gala in Hamburg was the middle of the programme of events planned by A. C. Haase for its partners.



Meeting of the partners of A. C. Haase at the Mapa factory, Zeven, June 2012

The day before the guests visited the MAPA factory in the city of Zeven near Hamburg, where the NUK series of childcare accessories is manufactured.

And after the official part of the programme in Hamburg, a trip to the city of Zoest, where the production of the famous Bübchen toiletries for children is located, lay ahead of the partners.

The trip took several hours; the buses drove 500 km to the southwest of Hamburg. That evening was no less memorable to A. C. Haase's guests than the previous day in Hamburg. An entire hall with screens and a bar was rented for the trip participants where they could watch the football match between Germany and Denmark during EURO-2012.



Meeting of the partners of A. C. Haase at the Bübchen factory, Zoest, June 2012



Sergey Dubkin, senior specialist in hygiene product distribution, RedHead

The final festivities awaited A. C. Haase's partners at the Bübchen factory, where the facility's director, Dr Tomas Stiehm, conducted a tour of the factory and a presentation of their products.

When telling about the factory's current achievements, he emphasized the improvement of its environmental friendliness. For example, over the past three years they have been able to reduce gas consumption at the Bübchen factory by half while sustaining the current production volume.

They pay colossal attention to the ISO system of quality at the factory; all stages of production and administrative processes are recorded on the appropriate forms. But it was not possible to see how exactly any of the products are made; in the sterile Bübchen production areas, the sterile production lines are completely closed. Only at the very end of the production cycle can one see each finished bottle appear.



Of these, 120 trucks with a 20-tonne capacity have been just over the past five years.

Today the distribution of Bübchen children's toiletries and NUK childcare accessories in Eastern European countries is A. C. Haase's main business. The main one, but not the only one: A. C. Haase is an entire holding which encompasses the fields of distribution in the food and hygiene categories; logistics, consulting and marketing services; working with petroleum products; and production of building materials from recycled industrial waste.

In addition to the headquarters in Hamburg, the company has an accredited representative office in Moscow, whose main activity is marketing and distribution in the former Soviet countries. In support of the Russian office, A. C. Haase has created a Russian-language site — <http://www.achaase.de>



Over 60 items from all of the popular Bübchen lines are represented in the Ukrainian Antoshka retail network and at RedHead's distribution clients, and in 2011 the corporation became the exclusive distributor of NUK.

Thanks to the work of the RedHead distribution department, over the past four years about 80% of Bübchen products have been Ukrainianised, which means they have Ukrainian labels which correspond to all legal requirements. This step has substantially simplified the sales process.



Vladislav Burda at the gala evening in honour of the 25th anniversary of A. C. Haase

VLADISLAV BURDA:

The most important result of our collaboration is the brand awareness of A. C. Haase in our company, which is equal to the brand awareness of Bübchen.

Our exclusive distribution has given Bübchen almost complete coverage in Ukraine. We have focused on this brand over many years and have developed it very well.

«You don't need to give us gifts. If you want to do something nice for us, make a monetary donation; everything we collect will be distributed by lottery to the orphanages we sponsor.» That is what the owners of A. C. Haase said to guests in their invitation.

Several days after the meeting, Albrecht and Christine Haase wrote to all the participants of the festivities that the lottery with the donations from A. C. Haase's partners took place 18 June near the city of Zoest in the presence of 63 people. As a result, 2,500 NUK products were sent to Majčino selo (Bosnia and Herzegovina), and 2,500 Bübchen products were sent to the Balakhtinsky Orphanage (Russia, Krasnodar Territory). And the total amount of the donations — 18,212 Euros — was sent to the orphanage in Akhtyrsky, Krasnodar Territory. There are 82 children living at this orphanage — children who have been left without parental custody and children with health restraints.

The directors of the company pledged that, along with a medical representative and A. C. Haase's regional manager in Russia, they would contact this orphanage to find out the best way this money could be spent.



However, we would like to thank you not only for your donations, but also for the wonderful mood — especially at our anniversary celebration — to which each of you made a contribution! And we enjoyed these contributions with all our hearts — the songs, speeches, performances, original gifts, kind words and wishes — and wished we could make these moments last longer!

But not only that evening was unforgettable for us; the days before and after it which we spent with you at (and together with) our suppliers, Bübchen and MAPA, were so harmonious and pleasant that they couldn't have been better, and we didn't want to part with you — and we don't plan to!!!

Yes, we are very fortunate and glad that we celebrated our 25th anniversary with you!

*Sincerely yours,
Albrecht and Christine Haase*

Caring for children's tender skin



THE MOST FAMOUS NAME IN THE WORLD OF CHILDREN'S PRODUCTS, AND THE ONE MOST RESPECTED BY PARENTS, IS BÜBCHEN. THE PHRASE "GENUINE GERMAN QUALITY" IS INSEPARABLE FROM THIS NAME. FOR PARENTS ALL OVER THE WORLD, THE GERMAN WORD BÜBCHEN (LITERALLY "LITTLE ONE", "TOT") TRANSLATES TO THE MOST ESSENTIAL, NATURAL AND HIGH-QUALITY TOILETRIES FOR BABIES.



This is how Bübchen looked in 1967



Ewald Hermes, founder of Bübchen

Ultramodern equipment, ecologically pure ingredients, and sterile production conditions are not just window dressing; they are a demonstration to the whole world of the truth about classic German business.

Neither artificial additives nor preservatives are used in making the products. And calendula, chamomile and wild rose — plants which have become the "face" of Bübchen toiletries — grow in fields with sensors that can detect any chemical fertilizers in the soil. The raw materials for the main components of Bübchen toiletries are certified organic by independent laboratories. This means

that there are no industrial plants near where they are grown.

What else do we know about Bübchen?

This enormous family empire which produces pleasing and fragrant things for bathing, diapering and care began...with loving care for the founder's firstborn child. In the 1940s, unknown pharmacist Ewald Hermes made his first calming herbal tea for his baby, who was suffering from colic. Then this tea began to sell successfully in pharmacies as well, and it even became a very popular remedy for colic in babies. And 20 years later, together with paediatricians,



Ewald Hermes went one step further — he began to develop and manufacture skin-care products for babies.

In the 1960s, demand for Bübchen's beneficial baby care products grew so much that it had to expand its production area. The company moved to a new production and administrative building in Zoest.

In the middle of the 1980s, Bübchen continued its successful production of toiletries for children under three. By the way, in 1983 Bübchen already belonged to the giant Nestle Deutschland AG, which facilitated its expansion on the European market and the growth of profits.





Bübchen's production line 45 years ago
(Zoest, 1967)



In the late 1990s, Bübchen “grew up” and started making its Apricot Shampoo and Shower Gel, thus beginning production of its new line for children three and up. A new advantage of Bübchen toiletries was that they made body care a pleasure; the fresh fruit scent made the process of washing your hair, taking a shower and putting on lotion a real joy.

Bübchen entered the 21st century as a global toiletries giant. About 40 million packages leave the factory each year. The product range includes products both for the German market and for export. Bübchen has successfully established itself on the markets even in China, Korea, Vietnam and Taiwan.



A time of active change started in October 2004. First, Bübchen changed its appearance: the logo and package design were updated. But the all Bübchen products are still immediately recognizable by their trademark writing and the colour of the package.

In 2005 Bübchen began to care for mums-to-be and launched a product line developed especially for the tired skin of pregnant women and nursing mothers. Wild rose hip oil and other valuable natural active ingredients in this series support skin's natural elasticity and protect it from drying.

In 2006, a line developed for little girls was launched. The new series for girls, Princess Rosalea, with a charming peony scent, has met with great enthusiasm. And in 2008



the long-awaited “From the first days” line, developed with the needs of newborns’ delicate skin in mind, came out.

To this day, the hallmark of Bübchen toiletries remains the recipe, which includes a generous amount of plant oils and extracts of its “trademark” plants, chamomile and calendula. The oils increase the elasticity of a baby’s skin, soften and protect it; plant extracts have anti-inflammatory, antiseptic and hydrating properties; and, of course, biological active ingredients facilitate the quick healing of babies’ skin, calm it and protect it from inflammation.

Many Bübchen products have the label “Öko-Test sehr gut” (“very good”), awarded

by an authoritative German publication. A unique feature of this rating is that the editorial staff of the expert journal Öko-Test selects products for testing and evaluation itself, and does not accept outside suggestions.

Throughout its existence and to this day, Bübchen collaborates closely with the best European paediatric centres and conducts scientific research with them, studying children’s health, and develops and tests new, modern care products. Powders, lotions, oils, bath gels and foams, creams... Today absolutely every mum has at least one little bottle or jar with the Bübchen logo, which without a doubt guarantees amazing baby skincare. ■



NUK® The perfection of simple things

“NATURAL AND ORTHODONTIC” — THIS IS WHAT THE ABBREVIATION NUK, A NAME FAMILIAR TO MANY MUMS, ACTUALLY MEANS. TODAY THIS GERMAN BRAND IS A LEADER IN THE PRODUCTION OF SUCH INDISPENSABLE THINGS FOR MUMS AND BABIES AS TEATS, SOOTHERS AND BREAST PUMPS, ALL OF SUPERIOR QUALITY. NUK NEVER GETS TIRED OF CREATING NOVEL PRODUCTS AND IS CONSTANTLY SETTING NEW STANDARDS FOR ITSELF: FROM THE CUTTING-EDGE TECHNOLOGIES OF NUK AIR SYSTEM BREAST PUMPS TO THE OPTIMISATION OF THE NUK GENIUS SOOTHER, WHICH MAKES A SIGNIFICANT CONTRIBUTION TO THE HEALTHY DEVELOPMENT OF THE ORAL CAVITY.



In over 100 countries, people trust NUK products for everyday baby care from generation to generation. The brand awareness of NUK products is over 90% in Germany alone.

NUK first appeared in 1947 as Hanseatische Gummiwerke Bachmann und Co. KG in Bremen. In 1949 professor Dr Balters and dentist Dr Müller developed the orthodontic shape of the NUK teat (a feeding teat and a soother). And in 1956 production of these NUK orthodontic teats began. The absolutely new shape of NUK brand nipples became massively popular.

In the early 70s, NUK introduced its special “trademark” soothers for use in clinics to the market and began production of feeding bottles with a special valve.



The first NUK orthodontic teat, 1956

In the 80s production was expanded: the NUK steam sterilizer appeared, production of the first breast pads was launched, and NUK first began to use silicone as a new material for teats and soothers.

In the 90s, NUK was the first to develop the concept of sizing in production of teats and soothers. The Janosch Collection and NUK Magic Cup, a wonderful example of babies’ drinking mugs, appeared in NUK’s product line. A popular children’s franchise was released: NUK developed the Snoopy line.

And NUK, a manufacturer of products for little ones, has entered the 21st century on firm footing. One after the other, the Baby Rose & Blue line and the new NUK First Choice system of bottles and teats came out. Then NUK released its new NUK Oral-Care line and received the prestigious iF product design award.

NUK’s main product is, as before, an asymmetrically-shaped soother which mimics the form of the mother’s nipple during breastfeeding. NUK soothers conform to the form of the jaw in the most natural way, train the musculature of the mouth, and prevent the harmful swallowing of air.



Today NUK is a world leader in the world of baby products; its soother and bottle factories, located in Germany, meet the highest quality and sterility requirements. The entire process, from selection of raw materials to packaging of merchandise, is carefully monitored by scientific experts.

All products are regularly tested for durability and the presence of harmful substances by the independent Fresenius Institute and the competent German expert journal Öko-Test.

The company is also socially active. In Frankfurt a “soother tree” was opened in support of projects to help children. And in 2009, along with parents, NUK developed special soothers in support of UNICEF.

Dictated by the experience of parents and knowledge of the physiology of babies, well-thought-out solutions are presented in the entire NUK product line. Certified by a multitude of experts, supermodern and technologically perfect, NUK’s products are a unified system of baby care for the early stages of development — from birth to early pre-school age. ■



Antoshka's Cup 2012: getting ready for international victories

ANTOSHKA'S CUP 2012, A UKRAINIAN SUMMER TENNIS CHAMPIONSHIP FOR BOYS AND GIRLS UNDER 14, TOOK PLACE 27 MAY THROUGH 3 JUNE IN ODESSA.

THIS YEAR THERE WERE SOME INNOVATIONS IN THE WAY THE CHAMPIONSHIP WAS CONDUCTED: FOLLOWING THE EXAMPLE OF THE BIGGEST TOURNAMENTS, WIMBLEDON AND ROLAND GARROS, IN ADDITION TO THE SINGLES AND DOUBLES CATEGORIES A MIXED DOUBLES CATEGORY WAS ADDED, IN WHICH A BOY AND A GIRL PLAY TOGETHER.



The participants of the championship, which was held for the eighth time, played in a standard draw of 128. Athletes came to Odessa from over 30 Ukrainian cities, representing the leading tennis centres and schools in the country.

Antoshka's Cup drew the attention of over 50 leading Ukrainian trainers and tennis specialists, who got the chance to evaluate the current state of children's tennis in Ukraine.

By tradition, Vladimir Mazarak, president of the Odessa Regional Tennis Federation; Dmitry Semyonov, vice president of the Ukrainian Tennis Federation and director of the Lawn Tennis Club, where Antoshka's Cup has been being held since 2004; and Vladislav Burda, president of the Red-Head Corporation, general sponsor of the championship, were present.

VLADISLAV BURDA, PRESIDENT OF REDHEAD:

The trend is obvious: tennis players from Ukraine are now among the top thirty in the world. The boys have begun to play better than the girls, which has never happened before. There is a lot of competition in tennis now; there's a constant turnover, and in order to make it into the top 100 today you have to try very hard. There are not enough tournaments, and our summer children's tennis championship in Odessa is a very good springboard for getting into international tennis tournaments held by the ITF. There is a very good foundation and opportunities for training here.



First place at Antoshka's Cup 2012 among girls went to Marta Tymchina from Lvov, who also won in the doubles category with Maria Koloney from Kharkov.

Among the boys, the winner of the championship was Konstantin Nesterenko (Kiev), and in doubles, Odessa athletes Semyon Yastremsky and Nikita Katsnelson won.

Another pair from Odessa won the mixed doubles category – Mikhail Kvantaliani and Alexandra Andreyeva. They also received additional prizes as the youngest participants in Antoshka's Cup 2012.

Along with their gold medals, the winners received electronic books, attachments and DVD players. For the boys and girls who took 2nd and 3rd place, the prizes were radio-controlled models, construction sets and soft toys.

On the day before International Children's Day, the championship participants visited "Uncle Bo's Farm" near Odessa. That way after the elimination rounds, the kids could rest, ride horses and visit the catacombs. The trip was organized jointly by Antoshka and the Lawn Tennis Club.



Winners of Antoshka's Cup 2012

GIRLS UNDER 14:

Singles:



MARTA TYMCHINA (Lvov)

11th in the UTF ranking

Doubles:



MARTA TYMCHINA (Lvov)



MARIA KOLONEY (Kharkov)

4th in the UTF ranking

Antoshka's Cup 2012 finalist in the singles category, winner in the doubles category

MIXED DOUBLES:



MIKHAIL KVANTALIANI (Odessa)

15th in the UTF ranking



ALEXANDRA ANDREYEVA (Odessa)

40th in the UTF ranking

Winner of Antoshka's Cup 2012 in the mixed doubles category, semi-finalist in the singles category

(*UTF — Ukrainian Tennis Federation)

BOYS UNDER 14:

Singles:



KONSTANTIN NESTERENKO (Kharkov)

4th in the UTF ranking

Doubles:



SEMYON YASTREMSKY (Odessa)

32nd in the UTF ranking



NIKITA KATSNELSON (Odessa)

14th in the UTF ranking

Antoshka's Cup 2012 finalist in the singles category, winner in the doubles category



Retail: Reload

IN JUNE 2012, SERGEI FILYANIN WAS APPOINTED HEAD OF SALES IN THE MASS MARKET SEGMENT AND DIRECTOR OF THE RETAIL DEPARTMENT AT REDHEAD, WHICH ENABLED THE CORPORATION TO PUT A SINGLE PERSON IN CHARGE OF SALES MANAGEMENT IN RETAIL AND DISTRIBUTION.

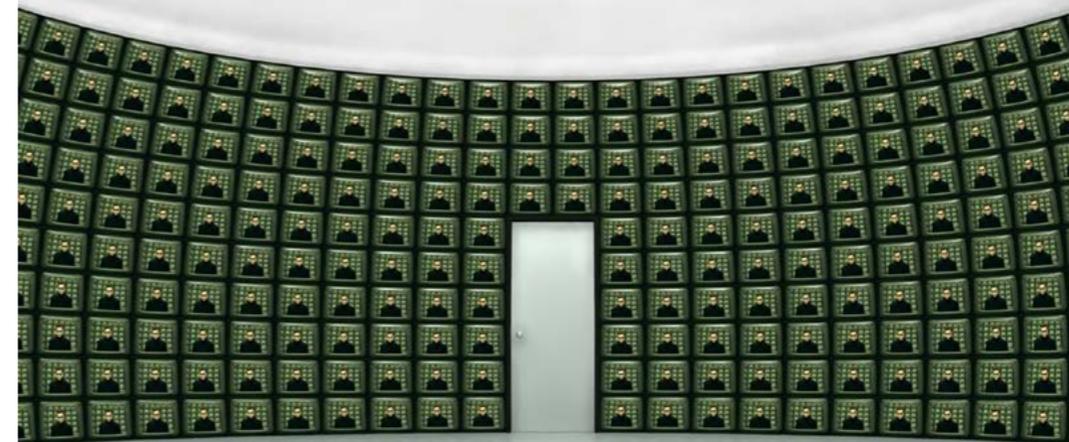
PRIOR TO THIS, SERGEI FILYANIN HAD HELD THE POSITION OF NATIONAL DISTRIBUTION DIRECTOR. OVER THE LAST TWO YEARS, THE TEAM LED BY SERGEI HAS ACHIEVED AN INCREASE IN THE NATIONAL COVERAGE OF REDHEAD DISTRIBUTION AND THE RETURN OF SEVERAL RETAIL CHAINS AS CLIENTS FOLLOWING THE CRISIS OF 2008-2009. THE SALES STRUCTURE IN DISTRIBUTION ESTABLISHED BY SERGEI AND ALEXANDER VLASOV HAS DEMONSTRATED ITS EFFECTIVENESS.



SERGEI FILYANIN:

Unified sales management in retail and distribution has affected integration between business units. Less time is spent on all types of coordination, monitoring, correspondence and decision making. Now it's very easy for distribution to take advantage of the opportunities of retail and vice versa, as it is done directly.

THE "RELOAD" FORMAT



A month after taking on his new duties, Sergei Filyanin organized an event that became known as the "Retail Reload." In terms of its principles, the event was consonant with the synergistic diagnostics employed using the Adizes methodology, but in terms of its form it proved to be a synthesis

of numerous organizational practices.

Sergei not only invited staff from the central office and retail branches to the Retail Reload, but also employees from other RedHead departments (distribution, supply, finance). A total of 40 people attended the two-day event.

Their joint objective was to determine the mission for retail and formulate its specific measurable parameters, and then to diagnose the problems associated with complying with these parameters in the work of retail.



SERGEI FILYANIN:

We also invited our external partners to this meeting. The advertising agency Prospects, which supports the discount project in retail, the marketing agency Motto, and a representative of the suppliers, the company Shiko, all made contributions to our decisions, particularly as regards creating value for suppliers and external counterparties. They were involved in the process, worked within the team and in groups, contributed their expertise, and we took it under advisement.



The Reload is an attempt to connect the abstract concept of the retail mission with concrete actions, indicators and figures.

The Reload participants have shaped the mission by outlining the main focuses of its implementation.

SERGEI FILYANIN:

The mission is the main purpose of the organization's existence. As a result of the Reload, we determined that the primary objective of the corporation's retail segment is to work on creating value for customers, suppliers, employees, the owner and the society in which we find ourselves.

The decomposition method proposed by Sergei Filyanin made it possible to lay out each of the groups of values comprising the mission until they were expressed as specific figures and key performance indicators.

PRODUCT MIX



One of the priorities for the Reload campaign was the development of a product mix, a new tool for inventory management in retail.

In this regard, the retail department revealed that the company is open to and

ready for any proposals from its partners who might be able to improve the product mix itself. It was a demonstration that RedHead is willing to reconsider its suppliers and product range if a "win-win" strategy is proposed.

Comments by Vladislav Burda:

The idea of the Reload is to create a product policy and establish a product mix for the higher turnover and better efficiency of the sales of our brands.



Establishing a product mix is closely connected to store formatting.

With a chain of 41 stores that are all different in terms of size and location, it is difficult to manage each store on an individual

basis. But if the stores are split into multiple formats, managing them will become much easier and more efficient. First and foremost, this concerns the management of the product range. Depending on the format, it will be

clear which store should have a certain product and where exactly it should be positioned. Category managers have also been asked to develop planograms. This work will directly affect the number of formats within the retail chain.

STRUCTURAL SOLUTION



The structure of the central retail office was also reorganized as a result of the Reload. Three main areas were singled out: the sales department, the marketing department, and the sales support department in a manner similar to the structure of the distribution department.

Changes were made to the functional responsibilities of category managers.

Document control on product range and inventory management were transferred to the respective divisions established within the new structure of the department.

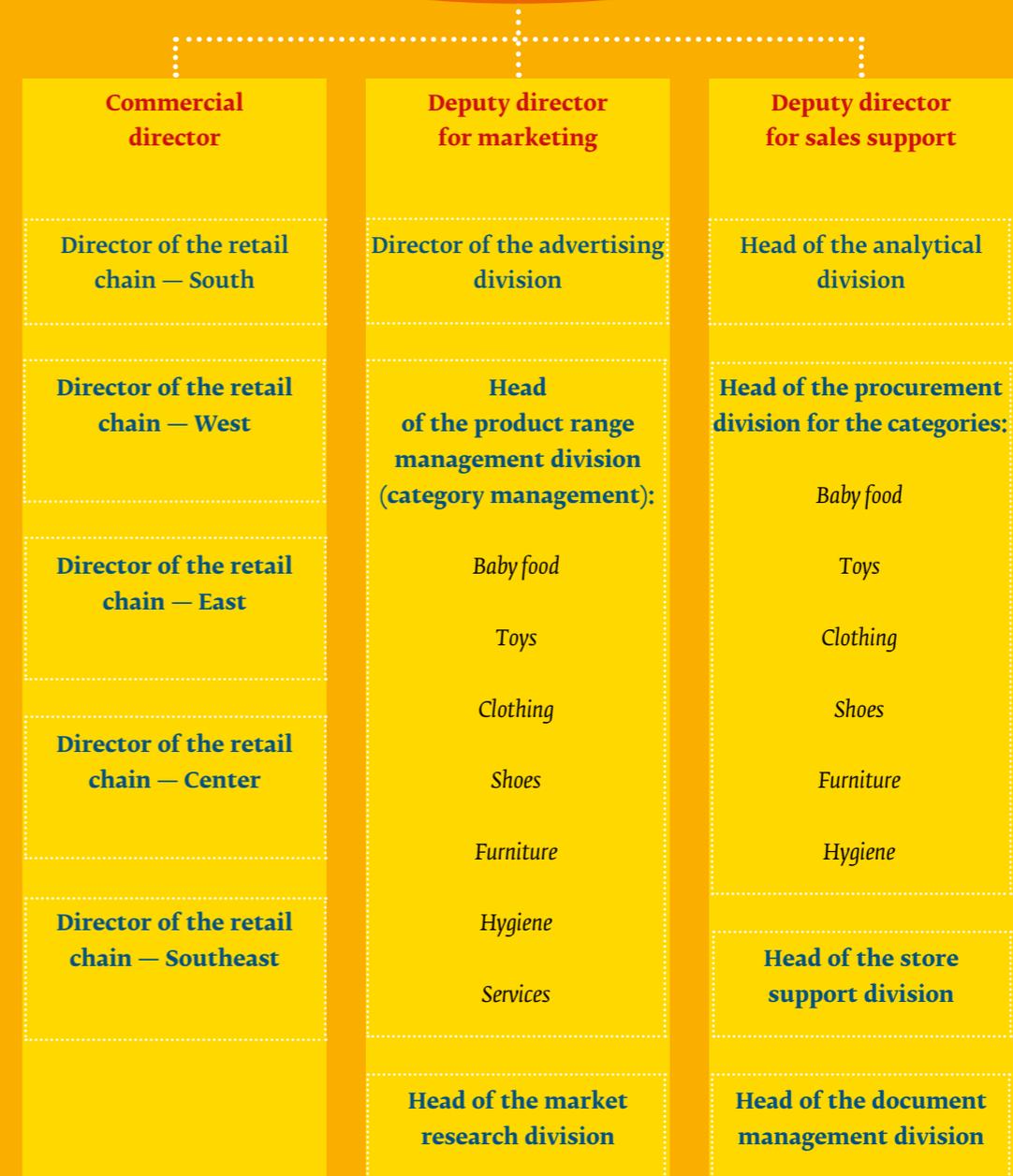
Category managers are solely in charge of managing the product range: they select the items as well as where, in what specific place and in what quantity they should be initially presented. Along with the marketing division and market research division, the category managers will be subordinate to the marketing director.

Category managers are supported by the procurement division, which works with the supplier to make allowances for in-store inventory, thereby avoiding surpluses and outstock.

The procurement division has been made into a multifunctional unit. It will mainly handle procurements from Ukrainian suppliers and work with warehouse inventory.

The procurement division has been integrated into the sales support department along with the document management division and analytical division, which handles the collection of all the necessary analytical data that any employees within the department may need. This mainly consists of product and some financial analytics.

Director of the retail department





The Story of Antoshka. 15 Years

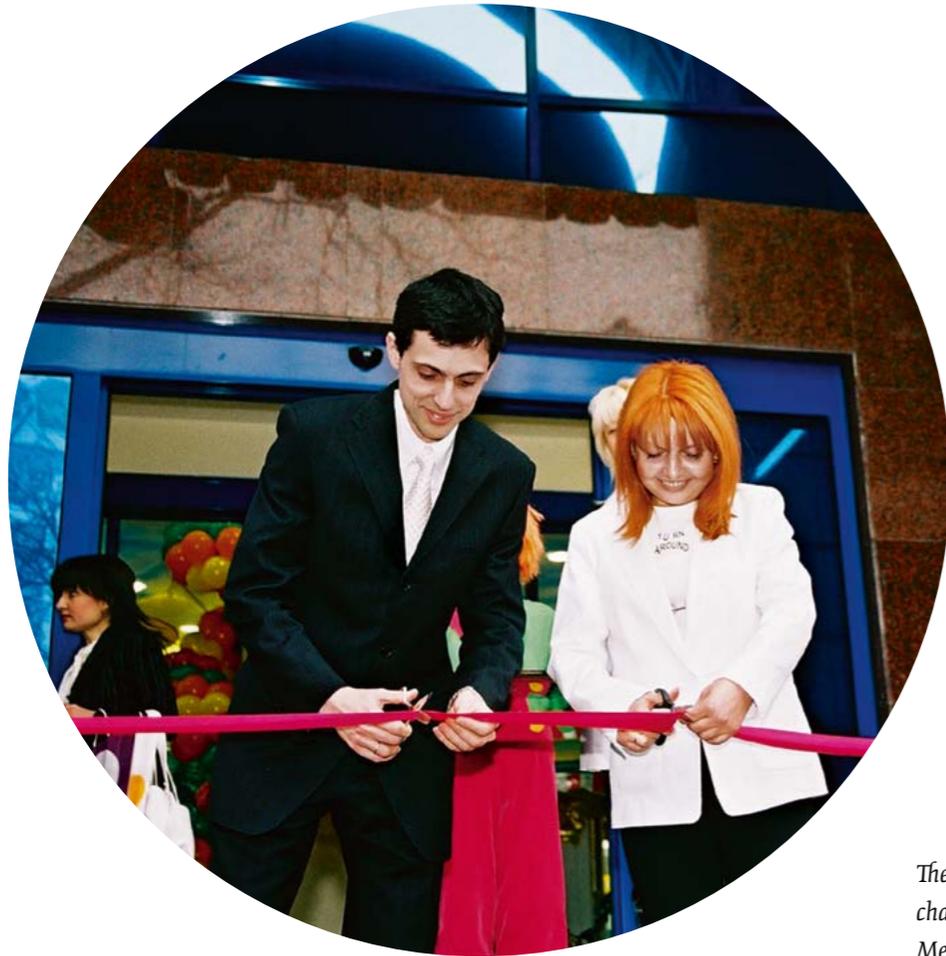
We compiled the story of Antoshka for this issue together with numerous people from all the RedHead branches. Salespeople and cashiers with 15 years of experience, store directors who remain “at the helm” after taking charge long ago, managers who have worked their way up from administrators to directors of regional chains over the last decade and a half, employees from the retail marketing division who helped search for archives and establish specific dates, and people from various divisions and parts of the company who

have been connected with retail in one way or another.

Some facts remain unclear or unconfirmed. Rather than dates, people have more vivid memories of the imprints of energy that each of them referred to in a letter or in conversation as “the spirit of Antoshka” — a sense of joy and the promotion of a happy childhood.

It is thanks to these people that Antoshka has become the company that all of Ukraine knows today some 15 years after its inception.

Antoshka has become an integral part of public culture and an important component of family life and childcare in 18 cities of Ukraine.



The founders of the Antoshka chain. The opening of the Mega-Antoshka shopping center in Odessa. February 25, 2005

Nina Galina and Vladislav Burda, the “parents” of Antoshka, have gone to great efforts to ensure that this “child” grows up healthy and well-nurtured.

At the same time, though, Antoshka has its own destiny.

What was initially conceived as a support for the development of distribution and

then as a convenience store in residential areas turned into a major phenomenon for millions of families throughout the country. Antoshka has become an integral part of public culture and an important component of family life and childcare in almost 20 cities of Ukraine.

The children and parents of 15 years ago, in the late 1990s, and today are significantly



Vladislav Burda and Nina Galina opening a Kazka Nova toy store in Kiev. 5 December 2002

different audiences. Today’s patrons of children’s stores have a constantly increasing variety of products to choose from as well as various retail formats. The parents of the 2000-2010 generation are inherently accustomed to good service and demand new products.

The objective currently facing the corporation’s retail division is to find out the exact

ratios between its current performance, the prominent, vivid and fashionable presentation of products and services, and the spirit that still nurtures the Antoshka employees working on the sales floors, at offices, and in playground areas with children.

Find this out and remain at the peak of recognition and success.

1997

The first children's supermarket in Ukraine is established. Antoshka opens in Odessa (Vuzovsky and MAS)



This marks the first time a specialized children's store has opened in Ukraine that offers baby food and hygiene products, clothing and shoes, toys, furniture, strollers and accessories all under one roof.



Antoshka
Odessa, ul. A. Nevskovo, 57,
area of 1014 m²
(272 m² when opened)

Vuzovsky

Opened September 10

Many of the employees at the first Antoshka children's supermarket already had experience working in retail. However, selling children's goods and interacting with parents were an entirely different kind of salesmanship altogether. Vuzovsky, which was headed by Yelena Shepitko and Alla Gesal, became the first training school for these types of skills at the company.

The teams of the central Antoshka store on Rischevskaya and then Mega-Antoshka, where Alla Gesal became the director, were born out of this first team at Vuzovsky.

New people arrived with the opening of Mega-Antoshka at Vuzovsky, as Galina Kirik became the director and continues to manage the chain's oldest store to this day.



Alla Gesal,
deputy director at Antoshka
(Vuzovsky) in 1997

and now the director
of Mega-Antoshka shopping
center (Odessa)

“When there was a shortage of goods in the country 15 years ago, Antoshka was a unique and very successful project. By today's standards, the product range was beyond modest: baby food, diapers, Baby Nova, Bubchen, a few strollers, SAM playpens and highchairs, and a small assortment of baby clothes.

Inspired by the idea of the company's owners to make everything from the heart and soul with care for the children, the small friendly team from the first store got down to work. It was challenging yet easy for us — we were the first.

Not long after opening, people began speaking about the store as some sort of oddity — it was a store 'like the ones abroad.' At this time, the Service Standards had yet to be set out, but each employee understood on a subconscious level that a high level of service is what sets us apart from other stores — this is the most effective advertising as it causes customers to return.”



Tatyana Spirina,
a cashier at Antoshka (Vuzovsky)
in 1997

and now the director of Antoshka
(MAS)

“For our customers, the store had a family-oriented, warm and down-home atmosphere. On opening day, everything was different — the dedication of the store as well as surprises and gifts for customers. And the first collector for our store was Vladislav Burda himself. Revenue was 1,500 hryvnia that day. Vladislav thanked us for the results of the first day with the words, 'That's three times more than at the Central Department Store!'”

There were numerous high points from the opening of the store, but this was the first. This was the beginning. We were standing at the origins of the inception of our retail chain.”



Galina Kirik,
who has worked in the Antoshka
chain since 1998

and is now the director
of Antoshka (Odessa, Vuzovsky)

“The new team arrived at the Vuzovsky store on February 14, 2005. Young and inexperienced, but with a great desire to continue traditions. Energetic, talented, venturesome, shooting for success — they won over the love and trust of our customers.”



Oksana Yankovskaya,
a merchandise specialist
at Antoshka (Vuzovsky) since 1997

“Prior to Vuzovsky, I worked for a year at one of the retail outlets owned by Europroduct in a small department on the territory of Detsky Mir. The department's product range included baby food, diapers and Bubchen cosmetics.”



Lyudmila Sosyukina,
a cashier at Antoshka (Vuzovsky)
since 1997

She began working for the company in 1996 at one of the first Antoshka retail departments at the Odessa Central Department Store. Appearing on the store shelves at that time were Frutek juices, the porridges of Bebi, Nordic, Heinz and Bona puree, infant formula, Baby-Nova hygiene products, Bubchen cosmetics and diapers.



Antoshka
Odessa, M. Arnauskaya, 117,
area of 637 m²
(180 m² when opened)
MAS
Opened November 18



In November 1997, two months following the launch of Vuzovsky, a second Antoshka store was opened in Odessa at Malaya Arnauskaya (MAS). Today the director of the store is Tatyana Spirina. Her career at the company also began with Vuzovsky.

In order to support their “first-born,” Vladislav Burda and Nina Galina began organizing and sponsoring educational programs about child nutrition and health on local Odessa television featuring leading doctors. The Antoshka TV magazine was published through 2008 with a total of more than 400 issues.



Angelina Kuznetsova (Gushan),
a pediatrician and head of the
pediatric ward at City Children's
Clinic No. 6 in 1997

and now a medical consultant
for marketing and the promotion
of children's nutrition and health

“The idea of launching the Antoshka TV magazine on an Odessa channel originated with Vladislav and Nina. The goal was to convey extremely important information from the television screen, from the mouths of pediatricians to current and future parents: tips on child rearing, on nutrition for pregnant and feeding months, and on care for kids and their development. It was also important to

The Antoshka TV magazine became a unique marketing tool during the early development of the chain and was also a means of communication with the audience built on trust and education.

make them aware of the consumer culture for baby food, child health products and children's cosmetics. As a practicing physician, I understood the urgent need for such issues among parents as well as grandparents. Therefore, I accepted the offer from the Antoshka founders to take part in this project.

The Antoshka TV magazine was launched in fall 1997 on the RiAK channel with the host Svetlana Fabrikant. The first episodes were recorded at the television studio or in my office. Initially, the show was purely of an informational, advisory nature and did not refer to any specific brands.

The TV magazine was aired on Saturdays. People waited for it and took notes. I saw the reviews of these shows on notepads with the com-

ments: “Antoshka,” “Doctor A. Gushan” ©. People began recognizing me and asking questions. The themes for the next shows were largely compiled based on the most interesting and frequently asked questions.

Over time, the format of the TV magazine changed. We added references to the products of our strategic partners and covered the advantageous and high-quality features of their product range. At the same time, however, the magazine remained just as interesting! On the contrary, the program started being recorded directly on the Antoshka sales floor, and the show became more colorful, vibrant, exciting and intuitive. And the ‘from 2 to 5’ magazine page was the theme for the super positive finale, which touched everyone!”

1998

Further development of the chain in Odessa. The opening of Antoshka stores in the districts of Cheremushki (PILF) and Kotovsky (Suvorovsky)



With the opening of two more stores and its distinctive visual style, Antoshka became a full-fledged retail chain in a city where the chain format was only starting to develop.



A year after the opening of the first two Antoshka stores in Odessa, their number doubled. Antoshka children's supermarkets opened opening in the residential districts of Kotovsky and Cheremushki (Suvorovsky and PILF, respectively). The stores had the distinctive style with the Antoshka logo

on a light blue background, which existed prior to 2005.

The fate of the two new Antoshka stores is different: PILF has always been at the same address with the same director, Nadezhda Chizhikova, while Suvorovsky has moved three times as it responds quickly to the change in the infrastructure of the area. Eleven years later, in 2009, the first director of the Kotovsky store, Natalya Fisenko-Korno, would take over the retail department's largest project — the shopping center in Kharkov.

1998 —
the launch of the
“A Gift from Antoshka”
social program at
maternity clinics

In 1998, the longstanding program for women at maternity clinics — “A Gift from Antoshka” — was launched. Along with congratulatory greetings, each new mother received a discount coupon from Antoshka. The program was in place in all the cities where the chain was present.



Nadezhda Chizhikova,
director of Antoshka
(Odessa, PILF) since 1998



Antoshka
(Odessa, ul. Gaydara, 14),
area of 360 m².

PILF

Opened December 15



Antoshka
(Odessa, ul. Bocharova, 53),
area of 350 m².
Currently at ul. Vysotskogo, 2-a,
area of 833 m².

Suvorovsky

Opened October 2



1999

The opening of the first Antoshka stores outside of Odessa — in Lvov, Kiev and Kharkov



Daring to risk moving beyond their hometown, the owners opened Antoshka stores in another three cities with populations over one million, including the capital. Antoshka became the first national retail chain of children's stores.



The first Antoshka store in Kharkov by the Yuzhny Train Station, 1999

In 1999, the chain began developing outside its hometown of Odessa. In February, an Antoshka store opened in Lvov at the initiative of Vyacheslav Bich, the founder and head of the branch at that time. Children's supermarkets then opened in Kharkov (near the Yuzhny Train Station on ul. Krasnoarmeyskaya, 8/10-a) and in Kiev (ul. Malyshko, 4-b).

Not a single one of these three Antoshka stores currently remains at its previous location. The growth in retail required an increase in the floor space for which the first Antoshka stores moved to the regions.



Vyacheslav Bich,
1999 — head of the Lvov branch

and now director of the boutique chain department

“

In early 1998, I came to Lvov in order to develop the Europroduct business, and I almost immediately became obsessed with the idea of opening our own retail business. Over the first year, the branch resolved organizational issues and established infrastructure primarily associated with support for wholesale. Distribution began to develop in Lvov and I had the idea: why don't we open our own retail business here as well?

Antoshka was already operating rather successfully in Odessa at that time. I decided that I would initially find a facility and then come to Vladislav with a proposal in hand. What made this project unique was that it was the first Antoshka branch and the first Antoshka outside of Odessa. We found a place right in the heart of Lvov where the store would be in the 'top ten' — on ul. Saksagansky, 10. Sasha Kovalev, the current head of distribution in the western region, played a major role in this search. The floor space of the facility was small at around 150 meters. We reached an agreement with the landlords and all that was left to do was secure Vladislav's approval.

The idea came as a surprise. How would it at all be possible to open an Antoshka store outside of Odessa? Why did they need to start with Lvov? Vladislav and Nine were taken aback, but after evaluating the results of my work over the year since the branch opened, they agreed, saying, 'Why not?'

The store was a hit from the very first day: the location was ideal and the market was empty. Antoshka worked at this location until 2003, when we opened the Naslednik boutique here in August, and then the site was used for our other projects (Skazka and the Daniel stock project)”.

2000

The opening of an Antoshka store in Ilichevsk and a second store in Lvov



After setting up stores in the central locations where branches were growing, the company opened an Antoshka store in Ilichevsk, a resort city outside of Odessa, and strengthened its positions in Lvov with a second children's supermarket, which the old-timers gave the nickname "On Kulchitskoy."

The "On Kulchitskoy" store (ul. Vygovskogo, 47) became extremely popular and was relocated at the first opportunity to a larger facility at the new VAM shopping center on the same street (Vygovskogo) only at building number 100. This store would later become the first in Lvov to offer a free

playground area for the children of its customers, which proved to be a powerful tool in boosting loyalty.

Several of the company's current key personnel began their careers at this Antoshka on ul. Vygovskogo, including Tatyana Kryuchkova, the current director of the RedHead branch in Lvov, Tatyana Rummyantseva, the human resources manager at the Lvov branch, Olga Oganisyan, the director of Antoshka-Roksolana, Lyubov Kulyk, the director of Antoshka-VAM, Natalya Kovalko, the director of Antoshka at the King Cross shopping center, and Oksana Kmit, a supervisor in the clothing/shoes category.





Tatyana Rummyantseva,
in 2000 a salesperson in the baby
food department at Antoshka
(Lvov, ul. Vygovskogo, 47)

and now the human resources
manager of the Lvov branch



Antoshka
Lvov, ul. Vygovskogo, 47,
area of 250 m².
On Kulchitskoy
Currently at ul. Nauchnaya, 35-a, VAM
shopping center, area of 1,465 m².
Opened March 14

“The opening of the Antoshka on Kulchitskoy caused quite a furor among the residents of the bedroom community, who came to the opening with their entire families to have a look at the wonder as if they were on some sort of excursion. A pretty store, good products, an open layout, friendly staff, consultations...

We have primarily won over our customers with excellent service. Of course, there were no magic secrets back then, but we did have our own secrets based on our

great enthusiasm and love for the customers.

Our first loyal customers were mothers with toddlers and residents of nearby apartment buildings. They stopped in to our store every day, bought a jar of puree, and got a real kick out of how the saleslady marveled over their little ones, knew all the customers by name, and virtually danced around them. And when children would go out for walks, they would drag their moms and grandmothers

to Antoshka and flatly refuse to leave the store without buying something.

Twelve years have passed, the children are all grown up and buying their clothing at different stores, and many customers have now become former clients. But sometimes someone will greet you cheerfully on the street, and you look and realize it's one of our customers, who remembers and recognizes you after all these years, a sign that Antoshka has truly earned people's love.”



Olga Oganisyan,
in 2000 a salesperson in the toy
department at Antoshka (Lvov,
ul. Vygovskogo, 47)

and now an Antoshka store
director (Lvov, Roksolana)

“A lot has changed in 12 years – the floor space of our stores has increased 12-fold (whereas the first stores were under 200 m²), and our store revenue has increased 12-fold. I remember our first maximum revenue in one day – 8,000; we jumped around, squealed and embraced – after all, this was the first achievement of our small team.”



Antoshka after moving
to ul. Vygovskogo, 100

2001

The opening of new format Antoshka stores in Odessa and Kiev



The lease of large amounts of floor space for new Antoshka stores and an expansion in the product range have led to enormous success and won over customer loyalty.



A discount program for Antoshka customers was launched in 2001 jointly with Pivdenniy Bank. Over ten years, the number of participants and Antoshka discount card holders has surpassed 450,000

In 2001, a quantum leap occurred in the development of the Antoshka chain. Newly formatted stores with more floor space and a greater product range opened in the spring in Odessa (April 19) and in early winter in Kiev (December 21). The central Antoshka store in Odessa on ul. Rishlevskoy, 10 had 600 meters of floor space, while the famous Pechersk store had 800 meters! Compared

to the first stores with floor space of 200-300 meters, these Antoshka stores seemed gigantic.

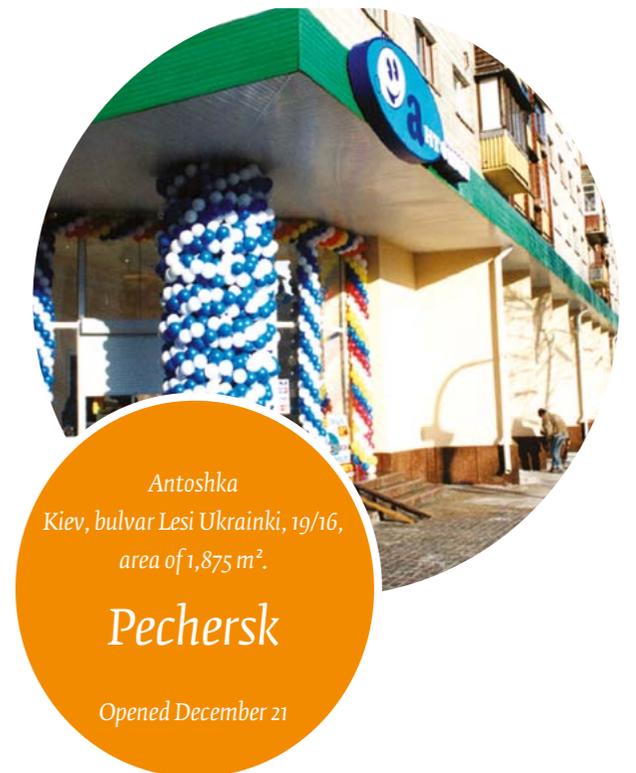
Another children's supermarket, Antoshka-Bakkara, opened in Odessa in the summer and, like the Pechersk store in Kiev, was destined to become a longtime retailer.



Staff of the Antoshka-Pechersk store:

“Despite its age (Pechersk is currently the ‘oldest’ Antoshka store in Kiev), our store remains the most effective not only in Kiev, but throughout the entire chain. Since opening, our sales have increased four-fold. Average turnover per square meter last year totaled more than 7,500 hryvnia! In December 2011, we crossed a major threshold with more than 10 million hryvnia in turnover.

During certification in 2012, almost 40% of the Pechersk sales staff, 21 salespeople and cashiers, scored the highest and were in the first category as well. Among us are employees who have worked at the store for more than 10 years: Yelena Kocherovskaya, the deputy director of the store, Larisa Boyko, the senior salesperson in the toys department, and Nadezhda Khadzhi, the senior salesperson in the food department.”



Antoshka
Kiev, bulvar Lesi Ukrainki, 19/16,
area of 1,875 m².
Pechersk
Opened December 21



Directors of Antoshka for the southern region in 2003 at the second anniversary of Bakkara (from left to right): Tatyana Gardash, Inga Prokhorenkova, Svetlana Aloina, Yelena Stoyanova, Irina Senina, Alla Gesal and Nadezhda Chizhikova



Anna Agapova,
in 2001 a cashier
at Antoshka-Bakkara

and since 2009 the director
of the Antoshka store on
ul. Srednefontanskaya in Odessa

“ I was first introduced to the company Europroduct in August 1998. The Antoshka department was expanding at the shopping center on ul. Ilfa i Petrova, 10 and they needed salespeople. At that time, the department had floor space of only 25 square meters, but so many much needed children’s goods were housed here!

Studying each jar of food, the cosmetics ingredients and the types of diapers, we took pride in the fact that we at Antoshka were the only ones with such a large product range. We were happy when customers left our store satisfied after purchasing everything they needed for their child.”



The first team of Antoshka-Bakkara
at the store’s opening, June 13, 2001

Antoshka
Odessa, ul. Ak. Filatova, 5/2,
area of 756 m².
Bakkara
Opened June 13



Yelena Stoyanova,
in 2001 a stock clerk
at Antoshka-Bakkara.

and since 2003 the director
of Antoshka-Bakkara

“ In spring 2001, I received a call from my old friend, Natalya Fisenko-Korno (at that time the director of Antoshka-Suvorovsky), who said, ‘A new Antoshka is opening next to your house. They need a stock clerk. Would you like to work there?’

My long-awaited and only son still wasn’t three years-old yet, so I didn’t really want to work. But curiosity prevailed and I went to see what was going on over there.

We already knew about the Antoshka stores. But what I saw there amazed me: an enormous, bright room with huge windows. The hall was still empty and filled with sunlight! Some young girls were sitting on boxes — some of them were accepting goods, others were writing price tags (imagine in 2001 they were still writing out price tags by hand!), while someone else was polishing the windows. Less than a week remained until the opening of the store! The girls were all glowing as well — it was clear that they wanted to work at such a new, beautiful store.

And then the director appeared. It was Irina Senina, who was just as inspired and cheerful as the girls!

They won me over and I wanted to stay with them.”

2002

The opening of new format Antoshka stores in three more cities and the first regional Antoshka outside the central branch area – in Ivano-Frankovsk



The new Antoshka on ul. Pushkinskaya in Kharkov would go on to become a place for the maturation and training of retail managers just like the new Lukyanovka store in the capital.

Among those launching their Antoshka careers at the Lukyanovka store were Irina

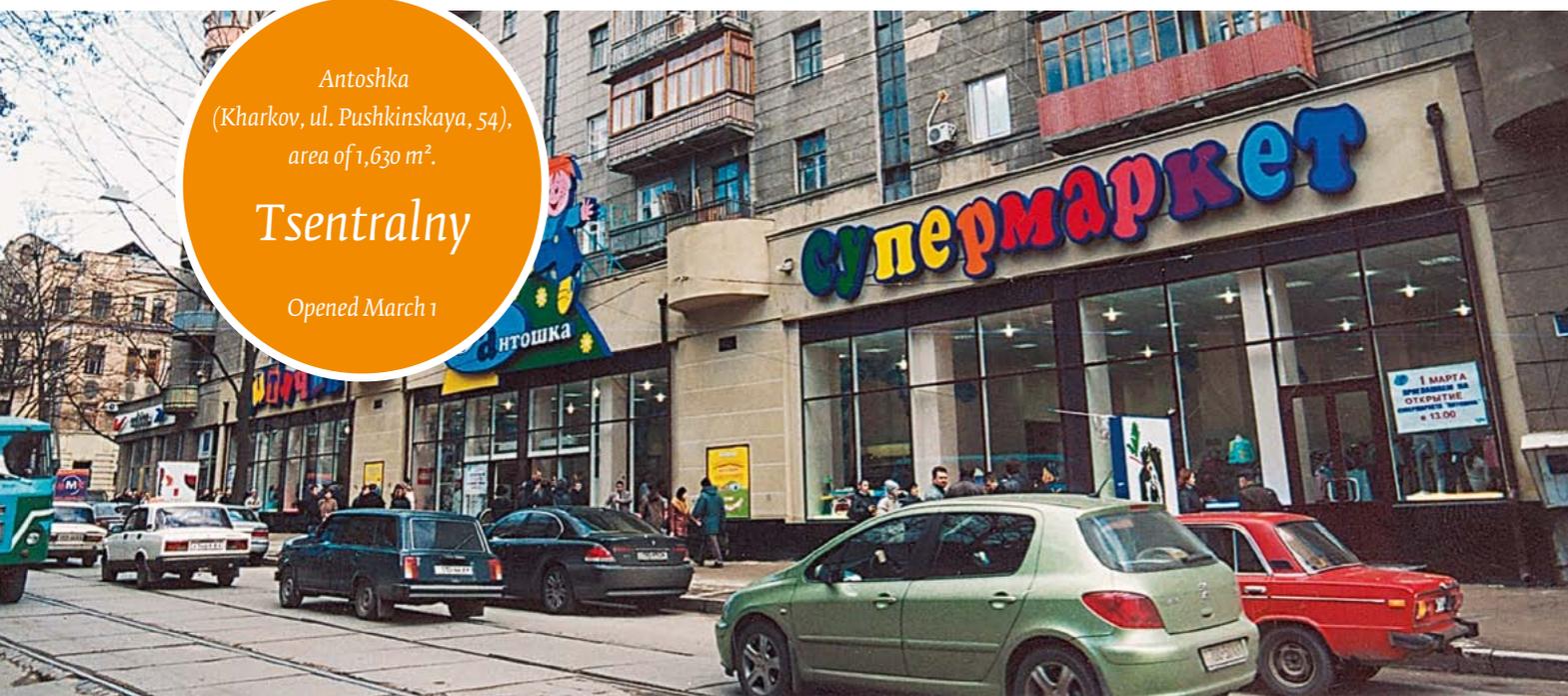
Klimenko (currently the director of the Kiev branch of RedHead), Irina Adamenko (director of Antoshka-Obolon), Yelena Khramova (director of Antoshka-Mishugi), Olga Kharchenko (director of Antoshka in Brovary) and Svetlana Shulga (manager for the toy sales category at the Kiev branch).



In 2002, Antoshka won its first award at the Choice of the Year international festival and contest in the category “Children’s Supermarket.” The contest has existed in Ukraine since 2001, and its winners are determined through research by the company TNS of the market indicators in a specific category. The results of the contest are confirmed by the international auditor Deloitte.

Antoshka would later go on to win the Choice of the Year award in 2007, 2008 and 2009 as well.

In 2002, Antoshka also won awards at the national contests Golden Trademark and Business Olympus in the category “Originality and Innovation in Business Development.”



Antoshka
(Kharkov, ul. Pushkinskaya, 54),
area of 1,630 m².
Tsentralny
Opened March 1



Antoshka
Ivano-Frankovsk
ul. Nezavisimosti, 2, area of 200 m².
Currently ul. Nezavisimosti, 83,
area of 1,275 m².
Opened June 7



Yelena Gevlich,
in 2002 the director of Antoshka
(Tsentralny)

“The popular name of the Antoshka-Center store speaks for itself. The store is located in the very heart of Kharkov on one of its oldest streets – Pushkinskaya. The first store that became widely known in the city was the central grocery store, a favorite of Kharkovites. But it closed down. The windows were covered with black film and everyone was waiting to see what would take its place. Work was in full swing there both day and night. Salespeople accepted goods and helped unload trucks, wash windows, and arrange the products – we really wanted to open this beautiful children’s store as quickly as possible! The long-awaited grand opening took place on March 1, 2002. Nina and Vladislav both came for the opening. This cozy supermarket operates to this day and is one of the most beloved stores for the residents and guests of the city.”



Vyacheslav Bich,
in 2002 the head of the Lvov branch

and now the director
of the boutique chain department

“The opening of the Antoshka in Ivano-Frankovsk was the next step in the development of the branch and the retail chain.

Now it’s easy to open stores on the territory of branches. But at that time we opened a store in a city where there wasn’t a single company representative at that moment – this was a real challenge.

The most difficult part was finding people. With very weak infrastructure in terms of recruitment, we had to do everything on our own. At that time almost no recruiting agencies existed there. It’s only now that a need is discussed with the human resources department, they send a request, and the search begins.

The store had floor space of approximately 200 meters and would later move to a larger space like most of the Antoshka stores opened within the branch at that time“.

2003

The opening of the first Antoshka in Dnepropetrovsk



In 2003, the first Children's Fashion Festival was held in Odessa at Nina Galina's initiative. Some 500 loyal customers of Antoshka gathered at the Luxor Club for the event. This festival marked the beginning of the Antoshka Children's Fashion Theater. Under the direction of Viktoria Shkineva, the theater prepared showings of the latest clothing and shoe collections at Antoshka stores and then at the Daniel boutiques. In addition, the Antoshka Children's Fashion Theater created its own events with which it participated at numerous contests and performed at various festivities hosted by the company.



In 2003, the first issue of the Antoshka magazine was published. The magazine targeted the chain's customers with an overview of new products and recommendations for seasonal items offered by the chain. The magazine existed until 2005 with 14 issues published.

At the same time, the first catalogue New Collection started being published (a total of 8 issues prior to 2007).

Creation of the Antoshka Children's Fashion Theater



Performance by the Antoshka Children's Fashion Theater in Artek, 2006



Antoshka
 Dnepropetrovsk, prospekt Karla
 Marxa, 67-d, Grand Plaza shopping
 center, area of 1,000 m².

Plaza

Opened April 12

Since 2001, the company has been developing a single eastern branch in Dnepropetrovsk. After being saturated with children's goods thanks to the Europroduct distribution system, the city got its first children's supermarket in March 2003. The Antoshka store opened at the Grand Plaza shopping center, where the children's store takes up two whole floors.



Larisa Rudeva,
 director of the Antoshka store
 at the Grand Plaza shopping
 center since 2005

and now director of Antoshka-
 Center in Dnepropetrovsk

“ We had to win over the customer's trust from scratch. Each weekend, the voices of the actors rang constantly throughout the supermarket. The youngsters got so accustomed to the celebrations that Antoshka became synonymous with fairytale heroes and festivities for the children. In order to bring more culture to the local public as well as teach people to make all their purchases at one store and appreciate quality and comfort, the employees of the supermarket decided to bring together all the neonatologists of Dnepropetrovsk and give them a presentation of the store so that the doctors at the maternity clinics would recommend it to young mothers.

Starting from December 2004, the Antoshka supermarket began cooperating with family clinics where expectant parents were preparing for the birth of their little ones. The employees of the Antoshka supermarket helped advise the young parents on issues concerning baby products and food. A consulting physician worked regularly in the nutrition and hygiene department, helping customers make the right choices for food products and accessories.

The store grew and evolved. Its reputation spread far beyond the city. Residents from the nearby cities of Zaporozhye, Krivoy Rog and Dneprodzerzhinsk also started coming here to shop. One store in the city was no longer enough. The chain required further expansion!”



2004

The first Antoshka Cup tennis championship



The year 2004 was one of the few after 1997 when the company did not open a single new store.

This can be attributed to the opening of the first Mega-Antoshka in February 2005, which altered the entire history of the retail chain. Many of the company's departments and key employees spent the entire year prior to the opening of the new store in preparation for this major event.

Nevertheless, 2004 marked a milestone of a different kind. The first national tennis championship among boys and girls in the under 12 and under 14 age categories was held in Odessa in 2004. The championship received its name — the Antoshka Cup — from the chain of children's supermarkets, one of its founders and a general sponsor.

In subsequent years, the championship has gained popularity in the sport world and has become the main competition for selecting young Ukrainian tennis players to play in the international tournaments of the International Tennis Federation.





Viktoria Shkineva,
in 2004 an event manager in the
Europroduct marketing division

and now the head of the Antoshka
Children's Fashion Theater

“The first Antoshka Cup children's tennis championship was held from June 2-6, 2004.

‘Why tennis?’ many people asked. After all, over its existence Antoshka has invested a lot of effort and money into various charity events, provided aid to medical institutions, and supported students at children's homes and boarding schools. During the opening of the first championship, Vladislav Burda said: ‘Sports victories are an important thing. People from other countries may not always remember the name of the prime

minister of a country, but they always know its distinguished athletes. Today, the names of Ukrainian boxers and football players are widely recognized throughout the world. An empty niche has formed in tennis. But today you, the participants in this competition, have been given the opportunity to move forward and to defend the honor of the Ukrainian flag in the future.’

The Antoshka Cup was organized specifically for the purpose of helping healthy, gifted children and children's sports as a whole.



...But let's spin the wheel of history back one year. After all, the very first children's tennis championship as part of the Antoshka Cup sporting festivities took place on the courts of the Laun Tennis Club back in early fall of 2003. It was a lot of fun organizing and holding the tournament, something that was always inherent in Antoshka and made this tournament attractive in the eyes of young athletes and their parents.

Young tennis players from the clubs of Odessa took part in the

festivities. Their competitions alternated between swimming contests, water games and relays. The most pleasant part came after two days of the tournament when the winners were awarded. They didn't only receive sports awards (cups, certificates and medals), they also got great prizes from Antoshka.

It was during these festivities that the idea of a players party was conceived. All the participants and their parents were invited to the celebration with contests, games, the unveiling of a new clothing line from the Antoshka Children's

Fashion Theater and, of course, a dessert banquet.

This tournament was an impetus for many children in their sports achievements, while Antoshka discovered a new opportunity in the implementation of its mission я-to make children happy!

Thus, over one year the Antoshka Cup tournament grew from a 'private' club-based tournament into a national championship that was attended by 96 athletes from 20 cities. And in 2005 we received more than 200 applications from 26 cities of Ukraine!”



2005

**The opening
of the Mega-Antoshka children's
shopping and entertainment
center in Odessa**



Given the lack of new impressions, the store, which was the first in the country to offer a new format of sales along with services and entertainment, gained a cult-like following among parents and children.



Mega-Antoshka

Odessa, pl. Grecheskaya, 2,
area of 4,175 m² (four floors)

Opened February 25



Over a period of several years, Mega-Antoshka has become the calling card of RedHead and is located in the historical part of downtown Odessa.

The store managed to incorporate the vast experience that the retail chain had gained at that time and simultaneously outlined new areas for development — the services category, a variety of services for children and parents, changes to the structure of

the company’s retail division, and requirements for future stores: the Mega format provided an impetus for the development of services at all subsequent Antoshka stores. The retail department established during the grand opening existed in the same form until 2012.

The new logo and corporate identity of Antoshka as a whole were also conceived thanks to the opening of Mega-Antoshka.



Boris Vilkisky,
in 2005 the deputy head of the retail division for the VIP clients

and now the retail chain's director for the southern region



“The opening of the Mega-Antoshka store in Odessa on February 25, 2005 is my most vivid memory from my time working in retail. At that time, I had just transferred to the retail department and everything was new. Mega-Antoshka wasn't just another store, it was a new milestone in the development of the company and retail as a whole. It was the first-born in which we implemented the idea of entertainment and services for our customers.

History has shown that adding additional services to the stores helps attract new customers and makes them remain loyal to us. Following the opening of Mega-Antoshka, the ideas it embodied were implemented in numerous stores in the form of hairdressers, cafes as well as recreation and entertainment areas.”



Tatyana Sotskaya,
in 2005 the entertainment administrator at the Mega-Antoshka shopping center in Odessa

and now head of the advertising division

“Mega-Antoshka is a unique place where a child can move around freely over several floors, where people can shop while choosing from a remarkable variety of goods, and where one can play, draw and develop... On top of all its advantages and distinctions, the store has added care about future children thanks to the work with expectant mothers at our 'schools' with the same Antoshka name.

Neither Ukraine, nor Russia, nor the countries of Europe and the Middle East, from which the company's partners travel and which our managers visit, have such a combination of retail space and entertainment, recreation and services.

The Kiev-based Budynok Igrashok is only now attempting to add new categories of products such as clothing and shoes to its traditional toy line. The other competitors on the children's retail market have not yet dared to imitate the concept of '6 product categories + services and a café.' One of the well-known entertainment centers — Igroland — is solely a place for recreation and not for purchases that a family with a child requires.

The secret to our success is the initial superiority of Mega-Antoshka as a unique retail format and the corporation's superiority in attracting foreign consultants from a variety of management fields. In addition, the people working at our two shopping and entertainment centers tend to have an intuitive understanding of what children and their parents need.

Service, kindness and hospitality are what primarily set us apart. Despite the middle age of some Mega-Antoshka employees, we continue learning how to amaze — and this works for us. People are the invaluable resource that our competitors can not replicate or clone. Even attempts to 'buy off' our best employees end in complete failure.”

2006

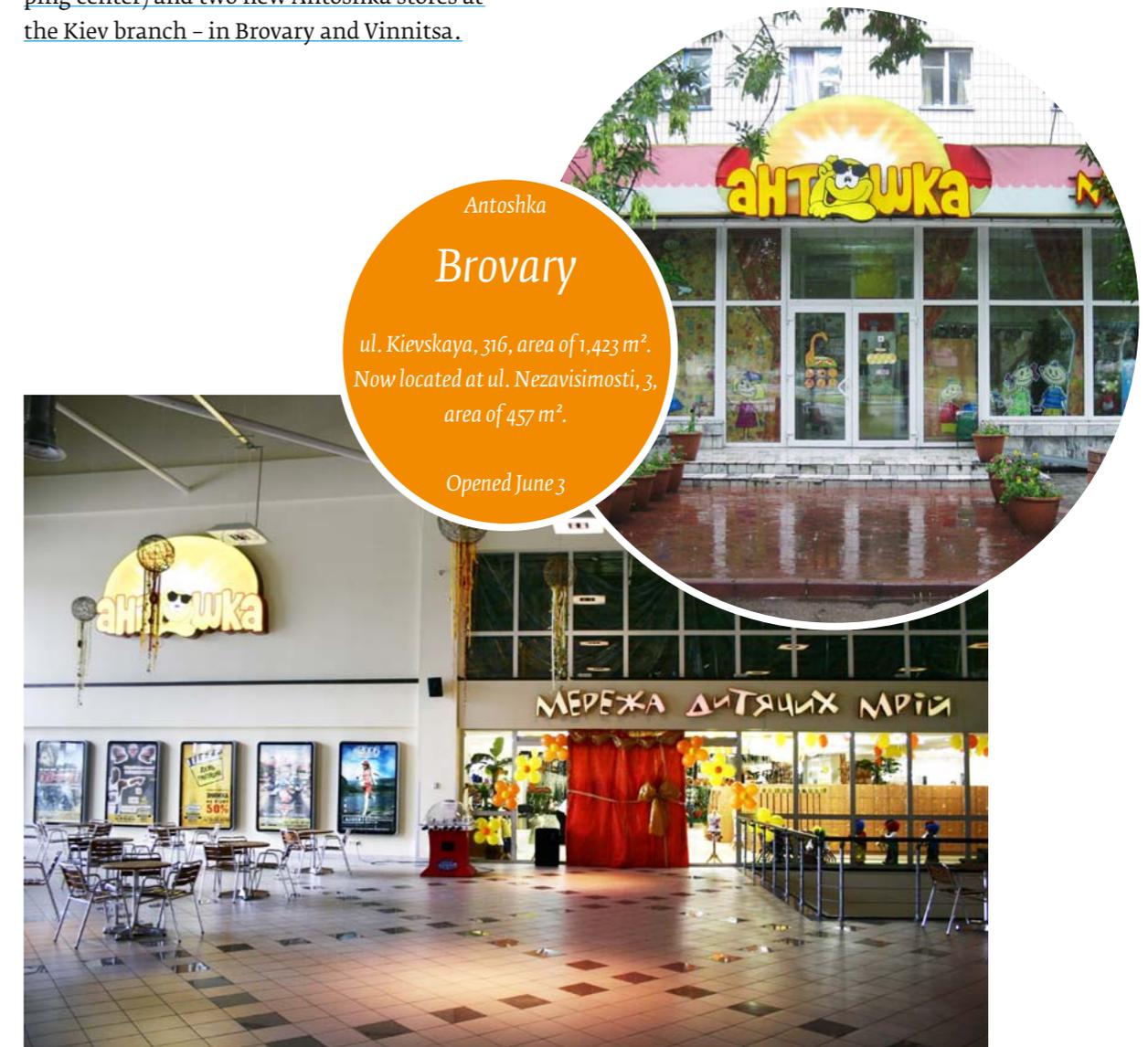
The opening of Antoshka stores in Brovary and Vinnitsa



Sergei Barannik, a newcomer to the company, became the director of the retail chain, and under his watch Antoshka saw rapid growth in 2006-2011: from 19 to 41 stores (as turnover more than tripled).

In 2006, the company opened its second store in Dnepropetrovsk (at the Most shopping center) and two new Antoshka stores at the Kiev branch – in Brovary and Vinnitsa.

The Antoshka store in Vinnitsa has repeatedly earned the title of one of the most innovative under the steady leadership of Larisa Kurchenko. Many of the initiatives from this team have become illustrative examples for the whole Antoshka chain and for the Vinnitsa city life.



Antoshka
Brovary
ul. Kievskaya, 316, area of 1,423 m².
Now located at ul. Nezavisimosti, 3,
area of 457 m².
Opened June 3



Antoshka
Vinnitsa
ul. Kozitskogo, 51, area of 622 m².
Now located at ul. Pirogova, 39,
area of 552 m².
Opened December 23



Larisa Kurchenko,
director of the Antoshka store
in Vinnitsa since 2006

“ Just one year after opening, Antoshka was recognized as the ‘Best Children’s Store’ in Vinnitsa during the ‘National Brand’ competition.

Our store is known for its involvement in city events such as the ‘Mini Miss Vinnitsa 2012’ contest. We served as organizers for the first family ball in Vinnitsa and the first beauty contest among expectant mothers.

We became a regional partner of the National Olympic Committee of Ukraine in the Vinnitsa Region for the children’s field hockey championships of Ukraine.

We hold charity events each year for orphans at children’s homes in the Vinnitsa Region and don’t simply collect gifts for them:

We invite children over for an entertainment program involving fun games and interesting contests.

Starting from April 2012, our Antoshka store has begun holding “Saturday meetings for the whole family” at which kids are entertained by fairytale heroes, while their moms and dads listen to interesting lectures from dentists, psychologists, pediatricians, hematologists and other specialists.”



2007

The opening of new regional Antoshka stores in the Lvov branch (Uzhgorod, Rovno) and Kharkov branch (Poltava)



Antoshka children's supermarkets were declared the winner of the VII Choice of the Year international festival competition, and the Kyiv Post newspaper called the Antoshka chain the best toy store in Kiev.

In 2007, new Antoshka stores opened in the Lvov and Kharkov branches, as the chain moved deeper into the regions. Antoshka stores opened in Uzhgorod on April 6, in Rovno on July 24, and in Poltava on December 7.



2008

The opening of a Mega-Antoshka in Kharkov and 7 Antoshka supermarkets at five branches



The Mega-Antoshka in Kharkov is the largest shopping and entertainment facility for children in Eastern Europe and the biggest investment in the company's history.



Mega-Antoshka

Kharkov, prospekt Lenina, 9,
area of 8,595 m² (five floors).

Opened December 27

The Mega-Antoshka shopping and entertainment center that opened in Kharkov on the eve of New Year's 2009 was an unprecedented project in terms of its scale, services and product range.

The store offers almost 33,000 goods in six categories and roughly 20 different types of services. "Brand days" and shows with presentations of popular children's novelties are held regularly.

Mega-Antoshka has a full-fledged family club, where moms, dads and children can

find something to their own liking and also gather a large group of friends together at a café.

More than 500 participants come to Mega-Antoshka for festivities held throughout the city.

Mega-Antoshka is the only shopping center in Ukraine that complies with all the international standards for people with disabilities, which was noted in Kiev by the UEFA Federation prior to the start of the Euro 2012 football championship.





Over the first ten years of its existence (1997-2007), the Antoshka chain was comprised of 24 stores in 12 cities.

The year 2008 proved to be an incredible time during which the company opened a new shopping and entertainment center as well as eight stores at five of the company's branches. The geography of Antoshka expanded to Zaporozhye, Donetsk and Sevastopol, while new large stores were opened

in Kiev, Odessa, Lvov and Dnepropetrovsk. A pilot Toshka mini market, a store for small cities that offers a wide range of children's goods in the lower price segment, was launched in Nikolayev.

Thus, as of 2008 the company had established four retail formats united under the Antoshka chain of children's supermarkets: Antoshka, Mega-Antoshka, Toshka and Kazka Nova.



Antoshka
Donetsk
ul. Stadionnaya, 3-d, AMSTOR shopping center, area of 2,597 m²
Opened March 1

Antoshka was the first children's store in Donetsk to offer a hairdresser, large playground area and consultations with a pediatrician.

Some of its regular customers have included players from the local Shakhtar football club such as Jadson, Darijo Srna and Andriy Pytov.



Antoshka
Zaporozhye
ul. Kosmicheskaya, 87, now prospekt Lenina, 53, Rio shopping center, area of 955 m².
Opened August 5



Antoshka
Lvov, pl. A. Mitskevicha, 5,
Roksolana shopping center,
area of 2,502 m².

Roksolana

Opened March 7

The bright Antoshka children's store that opened in 1999 on ul. Saksaganskogo, 10, became the favorite place to shop for many parents and children. Antoshka was the first store in the city that started holding children's parties, prize drawings for kids, and shows for children's clothing collections, and was also the first to celebrate its birthdays together with its customers.

This very first Antoshka in Lvov later moved to the corner of Valovaya and Galitskaya and over several years grew into the branch's largest and the most magnetically attractive store at the Roksolana shopping center. The store opened on March 7, 2008 in its present

form in the most central part of the city (pl. A. Mitskevicha), where for many years, even centuries, trade routes and consumer traffic have crossed paths and where a shopping arcade and Soviet children's store used to be located.

Today Antoshka-Roksolana is the most visited store of the Lvov branch. It not only offers the widest variety of children's goods, but also the full range of the services category:

a children's café, hairdresser, mother and child room, a room for children's parties and, of course, a free children's playground area with numerous slides and things to climb on.



Sevastopol

ul. Lenina, 39, area of 544 m²

Opened July 12

Antoshka
Dnepropetrovsk,
prospekt Geroev, 1-м,
area of 2,000 m².

Pobeda

Opened June 10

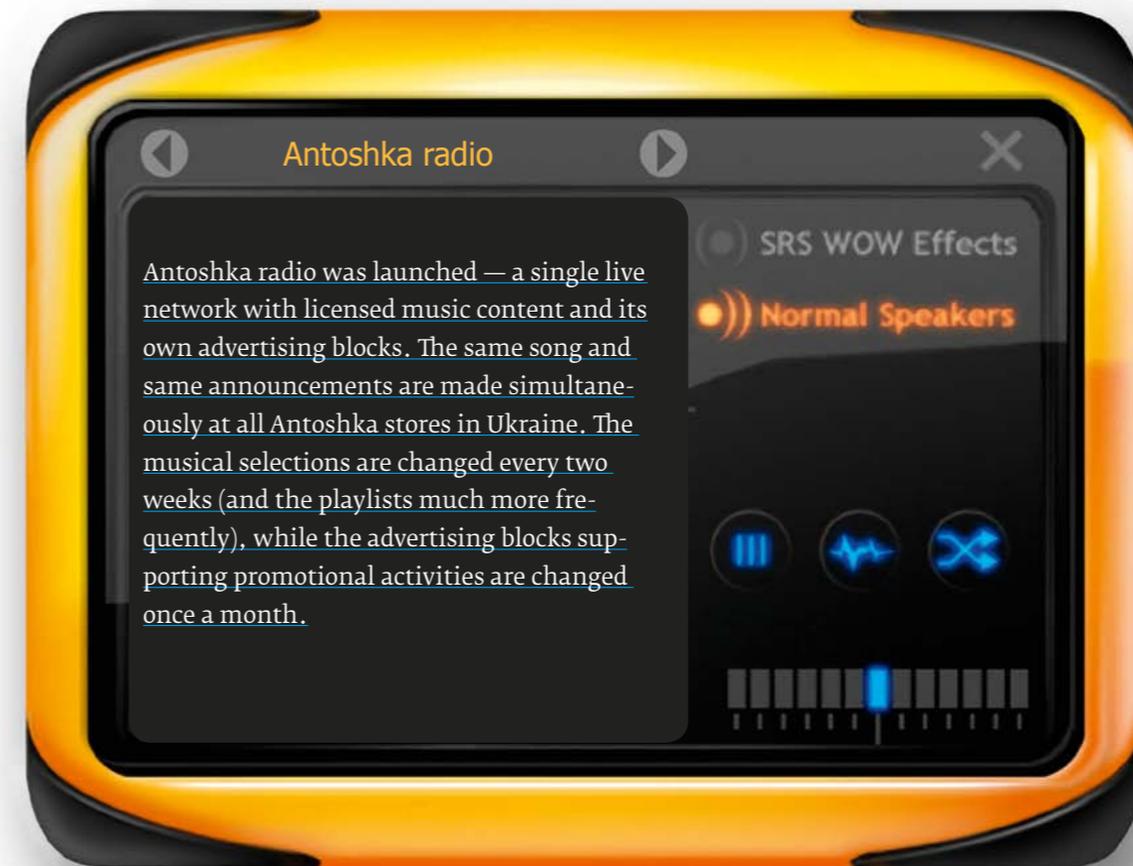


2009

The opening of new Antoshka stores in Dnepropetrovsk (Apollo), Kiev (Mishugi, Obolon), Krivoy Rog and Chernovtsy



In 2009, the company developed the institution of internal business coaches and launched an internal employee training program in the retail division. Among the program's priorities were improvements in customer service and communications skills. A system of personnel certification was introduced. The company issued the "Secrets of Magic" customer service standards of the Antoshka chain for salespeople, cashiers, administrators and security guards.





Antoshka
 Dnepropetrovsk, ul. Titova, 36,
 Apollo shopping center,
 area of 1,634 m²
Apollo
 Opened November 11

Antoshka-Apollo is the chain's first store with a thematic arrangement



Andrei Yelnyakov,
executive director of the
Dnepropetrovsk branch

“Following the opening of Mega-Antoshka stores in Odessa and Kharkov, the company's management decided to open new stores with entertainment areas.

This is how the first Antoshka supermarket under the new format appeared in Dnepropetrovsk at the Apollo shopping center. Inside the store, a café with its own kitchen, a playground area and a children's hairdresser were located next to the shopping facilities. This increased the amount of time children spent in the supermarket and was an added attraction for parents at Antoshka.



Antoshka
 Kiev,
 prospekt Geroev Stalingrada, 8-a,
 area of 1,942 m²
Obolon
 Opened December 18



Antoshka
Chernovtsy
 pr. Nezavisimosti, 109-d,
 area of 966 m²
 Opened May 27

2010

The opening of new Antoshka stores in Kiev (Darnitsa, Pobeda), Dnepropetrovsk (Center), Lvov (King Cross) and Kharkov (Vernadskogo)



The Antoshka supermarket chain doubled in size between 2006 and 2010.



Antoshka
 Kharkov, ul. Vernadskovo, 1,
 area of 1,295 m²
Vernadskogo
 Opened April 17



Antoshka
 Kiev, prospekt Pobedy, 17,
 area of 1,459 m²
Pobeda
 Opened December 18

Some of the Antoshka stores in the Dne-
 propetrovsk and Kiev branches, as per
 tradition, have moved to larger facilities,
 which made it possible to add services to
 the usual retail offering. In addition, three
 new stores with entertainment areas are
 also opening — in Lvov (King Cross shopping
 center) and in Kiev on ul. Malyshka and
 prospekt Pobedy, where the director of the
 legendary Skazka store Lyubov Mikhailenko
 is to be transferred.



Antoshka
 Lvov Region,
 Pustomyivsky District, village of
 Sokilniki, ul. Striyskaya, 30, King
 Cross shopping center, area of 1,181 m²
King Cross
 Opened May 15

Antoshka
 Dnepropetrovsk,
 ul. Plekhanova, 1-a, area of 1,700 m²
Center
 Opened December 10



2011

Development of the chain in the Kiev and Dnepropetrovsk branches

The opening of four new stores



Antoshka
Kiev, prospekt Obolonsky, 21-b,
Dream Town shopping center,
area of 1,469 m²

Dream Town

Opened July 15



Along with the growth in retail and the modernization of certain stores, the company is also developing new methods to promote Antoshka stores.

The retail marketing department has launched systemic work with Ukraine's leading film distributors — B&H, Ukrainian Film Distribution LLC (formerly Gemini) and VOLGA. This will allow for preparing licensed products at stores in advance of their premieres. Antoshka focuses

on popular cartoons and films for family viewing.

When *Cars 2* was in distribution in summer 2011, this practice increased product sales related to the main characters of the animated blockbuster at Antoshka stores by 70%. In addition, this partnership provides additional advertising "weight" during promotional campaigns as well as the ability to distribute their own commercials during showings at movie theaters.

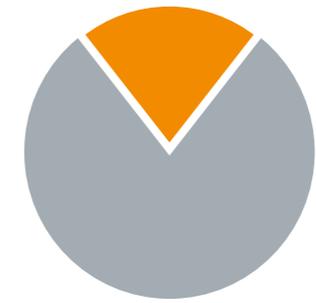


2012

Antoshka today:



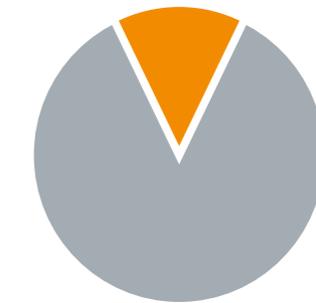
41
stores in 21 cities
of Ukraine



19%
of the children's market in the
cities where the chain is present



1482
employees

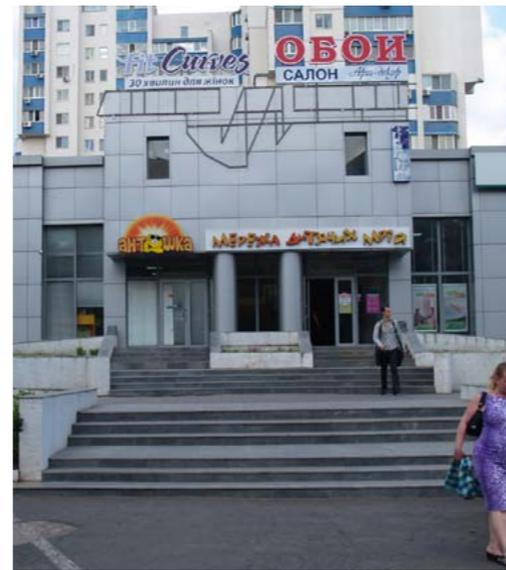


10%
of the baby food market in Ukraine

56 173 m² — total area of the chain's stores



Renovated Antoshka – Srednefontanskaya, 2012



Renovated Antoshka – Suvorovsky, 2012



Renovated Antoshka – Vuzovsky, 2011



Renovated Antoshka – Bakkara, 2011



Boris Vilkisky,
the retail chain's director for the southern region

September 2012

9 stores (Mega-Antoshka, Antoshka)
in three cities (Odessa, Ilichevsk,
Sevastopol).

Total area – 10,057 m².

“Looking back, I see the tremendous work that has been accomplished. Our stores have been transformed and become a single chain. Even though the southern region is the ‘senior’ region among the branches, we are still finding new ways to surprise our customers and remain the leader on the market for children’s goods.

During my work in the retail department, we opened two brand new stores in Odessa and Sevastopol and also repaired and modernized four stores. Many employees moved from the stores to the company’s office, which speaks to their high level of professionalism and the opportunities for personal growth and self-realization that the company offers. During this time, the following employees grew in their profession and became Antoshka directors: Srednefontansky — Anna Agapova (who initially worked

as a cashier and then an administrator at Bakkara), MAS — Tatyana Spirina (was initially a stock clerk), Vuzovsky — Galina Kirik (initially a stock clerk), and Suvorovsky — Lilia Bogatyreva (worked as a salesperson, administrator and stock clerk).

Today we are at the start of the next phase connected with the future rebranding of the stores, with a new understanding of the format for our retail business: revising the concept of 6 categories into 3 product target groups — Fun, Fashion and Baby Care. In addition, we went through a storm last year, and everything always begins anew after a storm. I am confident that having such vast experience, knowledge and such a professional team will enable us to get through the trials with dignity and achieve all the goals we have set.”



Opening of the Antoshka store at the King Cross shopping center, May 15, 2010



The first team of the On Kulchitskoy store (Lvov, ul. Vygovskogo, 47), December 2000



Antoshka-VAM (Lvov)



Tatyana Kryuchkova,
executive director
of the Lvov branch

September 2012

7 stores (Antoshka) in five cities (Lvov, Ivano-Frankovsk, Uzhgorod, Rovno, Chernovtsy).

Total area — 8,899 m².

“My life has been closely connected to Antoshka since 2000. It was here that I found what I had been missing in my previous engineering job — the opportunity to enjoy work, grow, and develop together with people who are close to me in spirit.

I look back warmly and with a smile on my doubts and concerns: how would I be able to combine the duties of an administrator, stock clerk and director simultaneously! And this was in a store with total area of 250 m² and a staff of 15 people, among whom only the cashier and I had minimal experience working in a store at that time.

Initially, we knew almost all the customers by their face and name! They were attracted by the friendly and cheerful atmosphere of a place where they not only could buy every-

thing they needed, but also enjoy chatting with the staff.

Soon it became clear that, first of all, our beloved and convenient family stores were not able to contain the entire range of products and that we needed to expand the retail area, and secondly, that Antoshka should be entertaining. We selected the most promising path — to not only offer goods, but entertainment as well.

The Antoshka stores in Lvov grew significantly and transformed from small stores into large, bright and convenient supermarkets that offer their customers the opportunity to spend time together as a family in addition to shopping — we have a children’s hairdresser, playground area and a cozy café for this.”



Playground area at Antoshka-Pobeda
(Dnepropetrovsk)



Fun traditions
at the Dnepropetrovsk branch



Andrei Yelnyakov,
the executive director
of the Dnepropetrovsk branch

September 2012

7 stores (Antoshka, Toshka) in five cities
(Dnepropetrovsk, Zaporozhye, Krivoy
Rog, Dneprodzerzhinsk, Pavlograd).

Total area — 8,290 m².

“Following the lead of Antoshka-Apollo, we wanted to open an Antoshka supermarket in downtown Dnepropetrovsk in the new format. This required a retail space with a large area. So management decided to close the store at Most shopping center since it was rather small and open a new format store in the spacious, cozy store in the busiest part of town.

The new central store opened on December 10, 2011, marking the appearance of another Antoshka

supermarket with a service area in Dnepropetrovsk.

One year earlier, in December 2010, the Antoshka supermarket that had been located in the Pobeda residential area moved to a spacious two-floor retail space, and in May 2011 this store also began offering the services category.

As a result, all the Antoshka supermarkets in Dnepropetrovsk now have a single format, combining retail space with additional services, entertainment and festivities.”



Irina Klimenko, director of Antoshka-Lukyanovka, awarding store employees for the results of 2004



Antoshka-Pechersk, December 2010



Irina Klimenko, executive director of the Kiev branch

September 2012

12 stores (Antoshka, Kazka Nova, Toshka) in five cities (Kiev, Borispol, Brovary, Bucha, Vinnitsya).

Total area – 12,875 m².

“Over the Antoshka retail chain’s existence in the Kiev region, traditions have taken shape that enable us to successfully get through all trials. The traditions of a strong and successful team in which the people inherently strive to be the first in everything, work for results, and take initiative are what has enabled us to become leaders. There have been several transitional milestones in the development of the Kiev retail branch:

▶ *The opening of new stores in downtown Kiev – an Antoshka store at Pechersk (2001) and the renovated Skazka store on Bolshaya Vasilkovskaya (2002). These stores remain some of the most beloved and most popular among the capital’s residents to this day.*

▶ *The opening of Antoshka stores in the new format with children’s hairdressers (the first was opened in 2005 at the Antoshka store at Alta Center), playground areas, children’s art studios, fashion schools and schools for expectant mothers.*

▶ *A period of rapid growth began at the branch in late 2009. Over two years, we opened 8 new stores, many of which (Antoshka stores on Obolon and prospekt Pobedy in Brovary) have already managed to become the best stores of the branch.*

But now is not the time to stand still, as the situation on the market and customer demands are changing. We face the prospect of developing the retail business — the main areas have already been determined and the first steps have been made in this work. The most important result of the upcoming changes is for the customers to view our stores as the best place to conveniently shop for children’s goods for their youngest ones, entertain themselves, purchase modern, nice toys, and have a quality selection of the most fashionable clothing and shoes as well as a friendly and caring approach from the staff.”

The landmark tenth event of FBN Ukraine in Odessa



THIS YEAR 28 FAMILIES FROM SEVEN UKRAINIAN CITIES AND THREE INTERNATIONAL SPEAKERS ON ISSUES OF LEADERSHIP AND FAMILY BUSINESS GATHERED TOGETHER IN ODESSA AT THE LANDMARK 10TH FBN EVENT.

FOR COMPARISON: AT THE FIRST FBN EVENT IN AUGUST 2009, 11 FAMILIES FROM THREE UKRAINIAN CITIES — ODESSA, KIEV AND DNEPROPETROVSK — PARTICIPATED. THE TOTAL NUMBER OF MEMBERS OF THE ASSOCIATION IS NOW 33 FAMILY COMPANIES.



Joseph Astrachan and Vadim Orlov participated at the FBN Ukraine event in Odessa as part of the Family Business EMBA programme

The two-day programme of the event, which took place 10 and 11 August, consisted of two main areas: summing up the field of family business and master classes for the adult audience and a separate mini-event for Junior Generation – the younger children of the company owners.



Junior Gen mini-event



Reinout van Lennep, advisor on financial and family company management issues, and Vladislav Burda

The main topic of the landmark FBN event was leadership, the issue of tough business negotiations and the motivation of CEOs. The foreign speakers this year at FBN Ukraine were Reinout van Lennep (Switzerland) and Joseph Astrachan (USA).

VLADISLAV BURDA ON REINOUT VAN LENNEP:

«He is my idol in the field of integration, a man who ingeniously combines business, people, ideas and fate. Reinout van Lennep is the former vice president of ABN AMRO, and now he is one of the wisest members of the RedHead Board of Directors and my close friend. He is a Swiss of Dutch background who worked for many years in New York and in Southeast Asia, and knows the wisdom of many cultures.

When my hair is the same colour as Reinout's, I dream that I will have the same level of mastery of integration as he does. I am very grateful to fate for such a teacher.»



Svetlana Fokina, experienced negotiator and holder of the title of «Best business trainer of 2010» according to the London Institute of Certified Financial Managers (ICFM).

A master class titled «The Stakes are Greater than Life» was conducted by Svetlana Fokina, general director and owner of the company Advanced Business Technologies.

The 10th FBN Ukraine event coincided with a session of the international FB EMBA course. It was, by the way, the third time the programme, led by professor Astrachan, had visited Odessa. The programme participants, owners of foreign family companies, also visited the FBN event.

Joseph Astrachan’s speech at the 10th FBN Ukraine event took place at the Porsche Sport Car Centre.

The visit to the family company Emerald Motors, to which the Porsche showroom belongs, included a test drive on a racetrack for event participants.



Nikolai Latushkin, former HR director of Europroduct, now the general director of Emerald Motors, gave a presentation of the company for the participants of the 10th FBN Ukraine event



Dmitry Burda and Alexander Mikhailenko during the visit to Emerald Motors



VLADISLAV BURDA:

“Timofey gave a presentation on this event at the spring FBN event in Cherkassy. This was his first public speech. The experience of participating in discussions on equal terms with adult owners inspired Timofey. He made many FBN Ukraine participants his “friends” on Facebook, and by August the audience for the first Junior Gen event had been gathered.”

As part of the summer FBN Ukraine event, the first event for the youngest generation of future entrepreneurs, Junior Gen, was held. This mini-event gathered 15 participants up to 14 years of age.

The leader of the younger generation of family companies, Timofey Burda, put the programme for his new friends together himself, in which activities alternated with entertainment and joint creativity.

In the game «Master of the Elements», the children created a secret element – the symbol of children’s friendship and joy. The process of creating it was played out as an acquaintance with the properties of the four elements of nature – water, air, fire and earth. To reinforce the beginning of their friendship, the boys and girls planted a tree together in Timofey’s garden. And then they composed a message to the future and sent it off on a balloon. And who knows, maybe in the future these children’s games will grow into strong business relations between the young leaders of a new generation of FBN. ■



The Family Business Show, or Men and Women in Business: ideas, children, new projects



THE FAMILY BUSINESS SHOW IS A NEW FORMAT FOR DISCUSSION WHICH WAS ORGANIZED BY FBN UKRAINE PARTICIPANTS TO SHARE ACCUMULATED EXPERIENCE AND ATTRACT THE ATTENTION OF UKRAINIAN COMPANY OWNERS TO THE TOPIC OF FAMILY BUSINESS.

50 INTERESTED BUSINESS OWNERS TOOK PART IN THE CLOSED MASTER CLASS 12 JULY 2012 IN KIEV.

THE MAIN PLAYERS IN THIS EVENT WERE VLADISLAV BURDA, FOUNDER AND OWNER OF THE REDHEAD FAMILY CORPORATION, AND OLGA GUTSAL, OWNER AND GENERAL DIRECTOR OF CAMION OIL AND ABRİKOS. TOGETHER WITH THEM, THEIR CHILDREN, DMITRY BURDA AND DMITRY GUTSAL, ALSO TOOK PART IN THE DISCUSSION.

WE OFFER YOU COMMENTS AND KEY EXCERPTS FROM THIS ONE-OF-A-KIND DISCUSSION.

VLADISLAV BURDA, PRESIDENT OF REDHEAD:

The Family Business Show project arose spontaneously. The three of us, Olga Gutsal, Irina Bondarenko and I, thought it up together, and Irina took the organization of the event upon herself. Olya and I had previously interviewed various entrepreneurs together several times, and we thought that maybe it would make sense to ask us questions on this topic, too. For example, what can an owner contribute to his or her company depending on gender? How does an owner prepare his or her children for ownership, and how should one build policy so that everyone sees the company as a family company, including one's own heirs?

We look at life completely differently, we have grown children, although of different ages, and we're different genders. So we decided that an interesting discussion might come out of that, and we invited owners and directors of family companies to it.

The advantage of this master class is that we let everyone have their say, that is, we didn't only talk; we also listened and learned.

It turned out to be a very successful format for acquainting owners with FBN — many master class participants turned out to be potential members of the Association and had the chance to learn more about it.



Olga Gutsal

For 18 years she has been the director of Camion Oil, which specializes in sales of motor oils, automotive chemicals and auto care products. Today Camion Oil is a leader on the motor oil market and the official representative of the Liqui Moly and Bizol brands in Ukraine. In 2004 Olga Gutsal created the Abrikos chain of jewellery salons. Since 2009 the art director of Abrikos is Olga's son, Dmitry Gutsal.

Family business as seen by owners and their children

VLADISLAV BURDA:

You often think about a cardinal change in strategy when a personal crisis arises. In 2003 I sensed that I needed systematic knowledge in the field of family business. My wife and I had children from our first marriages and a child in common, and at some point we began to argue about the place of each child in our family. And considering that we worked together, I realized that family issues have a great impact on all processes in the business. I found the course “How to manage a family business” at the IMD business school in Switzerland and went to it. I was the first Ukrainian to take the course. Few people were interested in the long-term perspectives of business (and that’s what family business is all about) in a country where even earlier everything was focused on the short term, to say nothing of the present.

I liked what I learned in Switzerland. I went there again in 2004 and 2005, and in 2007 I created a family council headed by the best specialist in family business issues — Orenia Yaffe-Yanai.

Soon I realized that this issue did not only concern me. Many businesses were created in the early 90s, and in the late 2000s the owners started thinking about involving their grown children in their businesses. Those are the two most complex problems for the founder of any family company: involving your children and transferring (letting go of) the business. And I decided: if I have been dealing with these issues professionally for so many years, I can share my knowledge with others. In 2009 we created the Association of Family Business Owners of Ukraine (FBN Ukraine). Today over 30 Ukrainian families are members, and the worldwide FBN network includes 3200 companies. Thanks to this, Ukrainian families can participate in international summits and exchange experience with the largest and oldest companies in the world, find partners, and, not unimportantly, send their children to internships all over the world.

OLGA GUTSAL:

I have always been incredibly irritated by the idea in business literature that every business is created for sales. I personally have never created anything for sales. I have never wanted to part with anything in which I had invested a lot of my energy, work, thought and talent. And my son has been involved in the business since childhood, because I didn’t have any other life besides life in the business.

Nevertheless, I never considered my business a family business. I couldn’t imagine working together with my son. As I found out later, in family companies the most complicated model of business transfer is from mother to son, and the easiest is from father to daughter. Vlad invited me to the Association and convinced me that besides working together (which might or might not happen), there are also the issues of responsible inheritance and many others.

Of course, my business is a family one in spirit. I definitely don’t want that to end. In addition, thanks to the official acknowledgement of this fact, my managers now know for sure that they will never receive a so-called managerial compensation packages. The company’s stock belongs only to the family, and the people who come to work for us will never be owners.



VLADISLAV BURDA:

There is no specific age at which you must begin involving your children in your business. If you see your business as a family business, you must think about that constantly. Because sooner or later the owner will have to leave the business in any case, and the best option is to do so in favour of your children. Then your business will be immortal.

OLGA GUTSAL:

At first I thought that the main thing is for my son to grow up happy and capable of creation and creativity. But he automatically got involved in the business, because he saw that I dedicated all my time to it. I think that the best lesson I gave him is to always do what you want and love to do. I know for sure that now he goes by this principle. But the most difficult thing to accept is that my son can be more right about some things than I am..



The choice of education for one's children — freedom and influence

DMITRY GUTSAL:

We always fear that which we don't know. If you are surprised that your children don't want to do the same thing you do, just think, what do they know about your business? How are they involved in it? Do something so that your children learn more about what you do and what you love.

As for education, I believe that first you need to encounter some problems yourself in order to understand what kind of education you need. How can you study if you don't know what and why? There should be some kind of need. Often after school there is not yet any need.

OLGA GUTSAL:

One must admit that higher education today is a waste of time. We send our children to university because we don't know what else they can do right after school. This is a kind of "concern" on our part.



VLADISLAV BURDA:

I told my eldest son that I am not going to influence his choice. It doesn't matter to me what kind of education he chooses; it's much more important that he have an entrepreneurial style of thinking. If he doesn't learn to make his own decisions, by the time I retire and transfer the business, he just won't have that habit.

Entrepreneurs, as a rule, are people who as children were in some kind of uncertain conditions. They may have grown up, like I did, in single-parent families and may not have gotten clear feedback. Their parents didn't tell them whether they were doing something right or wrong. And that motivated them to act independently.

DMITRY BURDA:

I really do have complete freedom of choice. It's difficult to say whether or not it helps. I haven't decided yet what I'm going to do. There are several offers from universities in England; I'm also thinking about studying in other countries. I can definitely say that after school I want to get my hands dirty and do something specific. On the other hand, I want to learn one more language (French, for example), find new friends I can go through life with, and enjoy my student years.

Why a business owner goes to work: the main tasks of management

OLGA GUTSAL:

A business owner goes to work because he wants to. That's the wild joy of entrepreneurship — doing only what you want to. Unlike Vlad, I grew up in totally complete conditions: my family was complete and trouble-free. I always knew that I would get a doctorate and teach strength of materials. But when I was in graduate school, the Soviet Union ended, and I went into business.

You can go into business from absolute certainty. When my son was in his fourth year at KIIR [Kiev Institute of International Relations] and he was very bored there, I said, "Go get a job." He answered that he would never work for someone else. And I said, "Very well, but then you'll never know for sure whether you'll have enough money to make it through the next month." And he answered, "That's okay." An entrepreneur, when given the choice between freedom and money, always chooses the former. Money will come, because he's working. That is the great happiness of a business owner.

VLADISLAV BURDA:

Before answering the question about why a business owner goes to work, I want to explain a little theory about how a business owner grows.

When a business is still small, the owner does a lot of things himself, covering all areas. He becomes a CEO when the business grows enough that there are separate business units with their own directors. And you need to demand results from them; you no longer need to do everything yourself.

If a business owner gets stuck at this level, he will never move forward in the development of his family business. After all, he is only managing, and doesn't know anything about ownership.

If you go further, the company will get a Board of Directors to which the CEO may be accountable. The main problem for a family business owner who holds the position of CEO is that he may go crazy at any moment. Because he is not accountable to anyone, no one influences his decisions, and no one broadens his horizons.

When there is a Board of Directors, the owner, as the CEO, represents management in the Board of Directors. The real transition to professional ownership happens when you hire a CEO and you yourself chair the Board of Directors.

It's obvious that a business owner goes to work do solve various problems at each of the stages I mentioned. I believe that in general a company should outlive its owner, and it should be healthy over a long period of time.

Family. Emotional ties

Regular meetings

Trips together

Interesting personalities

Birthdays

Family website

Family history and genogram

Family. Financial ties

Money and other material objects

Investments within the family

Inheritance

Business. Financial ties

Dividends

Good pay

Agreements between owners

Business. Emotional ties

Quality products

Company museum

Corporate parties

Family meetings on business

Corporate publications

Acquaintance and friendship with partners



OLGA GUTSAL:

I believe that a business owner has only two tasks: strategy and motivation, and nothing more. It's not important what he's called – CEO, owner or chairman of the Board of Directors.

Considering that I conduct business in 52 countries and in 23 of them we're battling with competitors, I need a head that's completely free from corporate management.

You can't imagine how much the experience of conducting business worldwide broadens the mind. Even a failure in that kind of work is moving upwards. You should definitely try it; you'll reach a whole new level.

What is strategy for me? Two limits are sufficient for me: "When?" and "Where?" Where I'm going and how much time I have for it. Only then do I select the product, the people and the means to achieve my goal.

Motivation and delegation

VLADISLAV BURDA:

I believe that the absolute competencies of my company are the use of innovative management and manager training systems. In 2003 we were the first to use cross-cultural management tools, in 2004 we invited Ichak Adizes to the company when none of his books had been translated into Russian yet, and in 2007 we received the highest award from the Adizes Institute. In 2008 I learned about FBN and management approaches in family companies; in 2010 we implemented the six levels of financial knowledge in the company, and I finished the EMBA program for family business owners in the USA.

And of course we recruit strong people to the company; that's why we always have strong implementation of all decisions. Innovative training is the best motivation for managers. That's what unifies a team most of all.

For the past 10 years we have been selecting the 10 best employees of the year to receive awards. When selecting them, we use over one hundred criteria, and anyone from a simple sales clerk in any of our shops to a manager from the central office can make it into the top ten. This is my talent pool; these people usually are promoted still further. In addition, I shape the team of top managers myself – the “dream team”, as I call it. I believe that that is the most important thing in business.

Men and women in business

OLGA GUTSAL:

The expression “a woman in business” reminds me of “a dog in space”. I don't divide business into men's and women's. In business it doesn't matter much if you're a man or a woman. I don't use feminine wiles in business. Sometimes beautiful young women have that fault. But all of that is lower than the head, lower than where your brain is.

When I started selling motor oil, the press began to label me as “a woman in a man's business”. I was lucky that I had an education in engineering. And not one of my partners can say that I know less about my product and market than he does.

When I hire top managers, I tell them two things: “You will never have a share in the business, and you will always be working under the management of a woman. If you can't handle that kind of subordination, you can't work here.”

VLADISLAV BURDA:

In the Ukrainian FBN we have over 30 families, and 15 of them are married couples. I also worked with my wife for over 15 years, so I can say that business with your wife is a special experience. There is a difference. A married couple in business is like a mum and dad in a family. Each has his or her own role and function, and your top managers understand this perfectly. On some issues they can go to the man, and on others to the woman.

When we were starting out, it seemed to me that if you involve your family in the business, it's justified economically. For example, you can pay less at first. But few people think about the fact that you will still have to pay another price later.

What kind of problems can there be? One: if you can't separate your work space from your personal space in time, then everything gets mixed together in one heap, and later it's very difficult to separate them. Two: when you involve your partner in your business, as a rule, because you need his professional qualities, you think less about common values. But it is divisions on values which can become evident in the future.

And finally, a third problem: All married couples have various speeds of development among themselves. The partner who moves faster always makes more demands of the partner who goes slower. The marriage exists as long as the faster partner has the patience to tolerate the drag of the slower one.

At the same time, business couples rarely think out a system for leaving the family or the business without an enormous loss. And often the dilemma arises: if you leave the family, you lose your business; if you leave the business, you lose your family. Many are forced to live with this unsolvable problem today.

What I want to advise is: if you create a relationship in which you are always together both in the business and in the family, remember that your degree of responsibility to one another is much higher. And that is only one aspect of the gender difference.

I could never have built my company without my wife. Her vision was completely different from mine, and from the standpoint of the development of retail it was absolutely correct.

We would like to thank Irina Bondarenko, managing partner of Ideas First, for providing photos and transcripts of the master class.

INTERVIEW WITH DMITRY BURDA

AFTER THE FAMILY BUSINESS SHOW WITH THE FAMILIES OF VLADISLAV BURDA AND OLGA GUTSAL, WE MET WITH DMITRY, THE ELDEST SON OF VLADISLAV, AND DISCUSSED HIS IMPRESSIONS OF THE JOINT EVENT.

IN ADDITION TO THE TOPIC OF FAMILY BUSINESS, WE TOUCHED ON THE TOPIC OF ANTOSHKA, WHICH IS A KEY TOPIC FOR THIS ISSUE OF REDHEAD



During the appearance on the Family Business Show, a remark was heard that at various ages your attitude towards the family business changed. What was that related to?

At this event I told how when I had just arrived in England — I was 12 years old — I wanted to go into business in the near future; it was very interesting to me. When I turned 14, I began to understand that life is not a picnic, and everything is much more complicated than I thought. It seemed to me that to enter the business at the age of 25, even if I graduated from a university, would be very difficult. Just as it would be to manage top managers who were much older and more experienced than I was.

There were, of course, other aspects as well. I did fairly well in mathematics, and I was very interested in chemistry and physics. Then I thought, “Maybe that’s for me? Maybe business isn’t what I want after all?”

And the last aspect which made me rethink things at that time was the infrastructure and the conditions for conducting business in general in Ukraine. I understood that England was a lot simpler, everything there was better adapted even for everyday life; the state is less corrupt, and you know that everything will be normal and stable. When the crisis began here in 2008-2009, I didn’t even suspect that such a thing could happen. But as I studied economic subjects, I realized what the reason for the recession was and that Ukraine is not the most delightful country in which to do business in such times. After that I kind of left the idea of business.

Later I returned to it when I realized that, despite all the difficulties, it’s really what I want to do. I want to be my father’s partner, and I hope that Tima will share my opinion when he grows up; after all, working with close relatives is more fun and safer than with third parties. What Vlad and Nina started should be continued by someone; that’s very important. It would be very interesting to me. It’s the pride of the family. Like my father love to say: the business is our third child.

So what was the critical factor in your choosing business?

There was a moment when the English embassy refused to give me a visa, and it did that three times in a row. I missed half a year of school, but I got the chance to work a bit in Europroduct, in the distribution department. During that same period I met people who instead of going to a university took a different path; they joined the army or found a job right away. Many of them were much stronger and better prepared for a career than my “educated” acquaintances. Their character and qualities, for example, their diligence and their knowledge of certain things was much higher than that of people who had received an education. I realized that it’s not necessary to study at a university in order to achieve something.



“Really, I’m tired of sitting at a school desk; I already want to work”

What else was valuable for you at this event?

Really, education is a matter of time. I could go to work now, and then in five years get an education. It’s just that that wouldn’t be as convenient, because the people I would be associating with would be much younger than me. For me the university is not so much a place where I gain knowledge as it is a place for communication, new contacts, and most of all, a place where I can learn languages. I love to study language; that’s my thing.

That topic came up on the Family Business Show, and opinions varied greatly in both directions. “No, you shouldn’t study, go work right away; we did that in our family and it worked very well.” And the opposite: “I got an education, and now I do this and that, and it helped me a lot, I’m so glad.” There was one other very interesting family which told its story: “Look, we have a son and a daughter in our family. Our daughter received a higher education. Now she works in the business as a manager, and she does a good job. She has made a new project, and everything is moving along nicely for her. But her brother chose a different path. He went into the business right away, got his hands dirty, as they say, and never got an education. But he is also a successful manager in a different branch of the business; he is busy with various projects and is very happy.”

There were various opinions, and I got very confused, but then this discussion helped me understand what criteria to use in choosing a university and what I’m willing to spend three years on.

Really, I’m tired of sitting at a school desk; I already want to work.

We tuned in to the experience of the owners of other companies who were in the room, and I came to some important conclusions after this open discussion. I realized that not only our family and the Gutsal family are trying to help

other families understand what it means to have children in your business. I am very grateful to those who came for the experience they shared.

It was very interesting to listen to the Gutsals’ story. I believe that Dmitry Gutsal is a representative of NextGen whose example we should follow, and I think he does a good job. Of course, it’s hard for me to say without having worked with him in a business, but I really like the dynamics of the relationship between Mitya and Olga, how everything works for them. I was amazed by their story, which is very different from ours, but the essence is the same: children in business.

And how is the story of the Gutsal family different from yours?

With respect to the first generation, I think. Because Olga didn’t see the business as a family business, and she never thought about letting Mitya into the business, much less in such high positions, and letting him “steer the boat”. While my father always saw the business as a family business, from my childhood. That’s why he put a copy of Kommersant in my hands and took that photograph that he likes to show everyone so much.

When I was little, I thought that our business was just shops. And I never heard of distribution or boutiques — for me that was always distant, something I didn’t understand. And, of course, when my father explained to me that Antoshka is a large part of our business, but there is another part, distribution, it was a shock for me, in the good sense of the word. It’s good to have two areas. I didn’t even know that the work of a business owner who is also the CEO was so extensive; I thought that Dad was just the director of all the Antoshka shops.

What were your first feelings from Antoshka?

I remember as a child I had some stickers on my cabinet with the old Antoshka logo and character, where he still has red hair and freckles. That same blue logo was on the little shop we always went to, on Gaidar Street. It looked really neat. Then the big shop on Rishelyevskaya opened. And one fine day I noticed that the logo had changed, the colours had changed, and those yellow Mega-Antoshka posters appeared, and I couldn't take it in right away. A very interesting transformation had occurred.



When Mega-Antoshka opened, it was a completely new level. I remember how I went in for the first time and saw the arcade games...you couldn't drag me away. I realized that everything was changing, especially when Yula (a cafe on the lower level with arcade games) appeared. It was a lot of fun when you could come to the shop not only to buy something, but to play as well.

As a child I was only interested in toys. I didn't like clothes, and I didn't care if food was for children or not; I just liked to eat... I remember that my father and I tried to visit all the Antoshkas every weekend to check the displays and make sure there wasn't any dust and that the personnel were friendly. But recently I haven't been visiting our shops too often. After all, I'm already grown up, and I don't have children yet; what would I do there? Maybe just buy water.

Now, Timofey is still interested in toys; his favourite section is Lego, if I'm not mistaken. I was different; I liked Meccano. That was something. I liked that you could take a screwdriver and screws and connect everything tightly. You could build the Eiffel Tower and then hit it with something, and it won't come apart or fall down, unlike Lego. But Lego was interesting too. I liked that it uses branded series from films: Harry Potter, Indiana Jones, Star Wars... Meccano didn't have anything like that. My favourite Meccano series was "Prisoners and Policemen", where the little people could ride on various cars, boats and motorcycles.

If you compare your feelings from your most recent visits to Antoshka with your first, what has changed?

When I was a child, it was a kind of magical pleasure to go into Antoshka, look at all the merchandise, and buy something. There was always a lot of baby food — cookies, purees, little juices, a lot of different brands. The bigger each new shop became, the bigger the selection was, but the base products were always the same: children's food, apparel and toys. I adored toys. Even if I didn't buy them, but just held them, tried them, and took my memories and sensations from one toy or the other home with me.

Now when I go into the shop, I look at it more from a business point of view; I immediately remember the sales volume figure. I evaluate its productivity compared with the others, how many employees work there, what the rent is, what makes the shop profitable and what makes it unprofitable, and what can be changed to make the shop more attractive.

When you buy things in a shop you own, you begin to understand what problems it has — those that are hard to catch when you come to the shop as a manager.

Or, for example, if I were to come into the shop with a pregnant wife, I would pay attention to the steps; maybe they should be lower so she could climb them more safely.

I don't have a wife yet, but it's very important for me to understand the product from a parent's point of view, because the parent is who is paying, when you come down to it.

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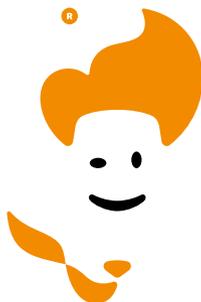
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