Publication of the European Audiovisual Observatory

FOCUS ON THE **AUDIOVISUAL INDUSTRY** IN THE **RUSSIAN FEDERATION**

Contient une synthèse en français
Enthält eine Zusammenfassung auf Deutsch

January 2016

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EXECUTIVE SUMMARY

The aim of this report is to briefly describe the current television and video on demand (VoD) market in Russia in 2014–2015. Details of the sources and methods used are given in the Annex.

In the period under study, the audiovisual industry in the Russian Federation was affected by both economic difficulties (which slowed growth rates in the advertising market in 2014 and even caused it to decline in 2015) and political decisions taken by the country's leaders, particularly changes to legislation. The most significant of these was the amendment to the law on the media, restricting foreign ownership of media in Russia to no more than 20% since 1 January 2016. This has led to the restructuring of ownership in large media holdings and small TV and radio companies and print publications alike. In January 2015, amendments to the law on advertising came into force, prohibiting commercials on pay-TV channels. This obliged many of them to acquire terrestrial frequencies in the regions and/or to increase their share of Russian content. At the same time, advertising revenue earned by satellite and cable channels decreased by 46% in 2015 as a result of this law. On the other hand, in 2014–2015 the so-called 'anti-piracy law' led to increased pressure on websites with unlicensed content and provided support for legal VoD services.

There are several major companies in Russia's audiovisual industry that occupy leading positions in their sector. The main suppliers of pay-TV are the satellite operator Tricolor TV and cable and IPTV operator Rostelecom. The largest number of media outlets (primarily TV channels) is in the hands of three leading media holdings: Gazprom Media, National Media Group, and Russia Television and Radio (VGTRK), the last being the main beneficiary of subsidiaries from the state budget. These three own almost all the leading TV channel networks: NTV Plus and Red Media, VGTRK Digital TV, Discovery, and Channel One's Digital TV Family. The largest independent networks are 1HDTV and Viasat. Channel One, Rossiya 1, and NTV make up the 'Big Three' terrestrial channels, while the most lucrative VoD services in 2014–2015 were ivi.ru (based on an online advertising business model) and Okko (which focuses on smart-TV transactions).

Today, television has found its way into most homes in Russia and moreover, most Russians do not limit themselves to one TV set (the country has an average of 1.6–1.7 televisions per household). Increased viewing times are not solely the result of TV ownership; but also related to technical capabilities, such as being able to watch HD TV (in Russia today, according to various estimates, 32–40% of households own this type of television). Ten percent of Russian households have smart TVs, but only 6% are connected to the Internet.

Reception quality also affects television viewing times. Analogue reception (cable and terrestrial) still dominates country-wide. The expansion of digital cable TV and IPTV, which are more promising from the point of view of user functionality and operator revenue, is impeded by the comparatively higher subscription fees. At the same time, satellite operators have been gaining ground in Russia quite quickly recently, primarily thanks to dumping price policies. They have been particularly popular in rural areas where reception is patchy and cable connections are difficult to access. Only recently have rural populations been given an alternative to satellite operators, in the form of digital terrestrial television, which offers 20 channels (two multiplexes) for free. By the end of 2014, 85% of the population had access to digital terrestrial television.

The deadline for switching off analogue terrestrial reception in Russia has been postponed to 2018 as not all of the planned broadcast points for digital TV have been completed, and only around 40% of households have television sets capable of receiving a signal in DVB-T2 format. Overall, demand for digital TV in Russia is still low: experts estimate the proportion of main household televisions with digital reception to be no more than 6% (15% for all televisions in the home).

Pay television is the foundation of the Russian television market. At the end of 2014, 38 million families (68% of households) had a pay-TV connection. The greatest saturation of pay-TV is seen in the Central and Northwestern federal districts (where the two largest cities – Moscow and St. Petersburg – are located), while the lowest levels are in Siberia and Russia's Far East (these regions are now the fastest growing and have the most potential from the point of view of the expansion of pay-TV). On average, Russian city-dwellers now have access to around 50 TV channels, with the largest pay-TV operator offering up to 200.

In total, almost 2,500 different TV channels are registered with the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (Roskomnadzor). Most of these are regional media outlets, including the partners of national networks which use regional frequencies and broadcast for only a few hours per day (so-called 'window channels'). Channels broadcasting a range of general subject matters account for only 3% of all the channels available (by comparison, entertainment, music, and special-interest channels make up 20% of the total). This fragmentation is increasingly leading to reductions in audience shares of terrestrial channels (the total audience market share for the 'Big Three' fell from 52% in 2007 to 39% in 2015), and specialist terrestrial channels, competing with pay channels, have begun to experiment more and more with concepts, frequently changing names and brands in recent years. Pay-TV channels focus primarily on quality: 121 channels broadcast in HD in Russia, and six broadcast in 3D. However, this contributes little to retaining viewers: the Russian TV audience is increasingly ageing, due to young people spending more and more time on social networks instead. In addition, significant demographic changes have taken place in the country: the number of people aged between 15 and 25 was halved between 2005 and 2015.

In the race to attract viewers who have switched to the Internet, TV channels are developing new offers on their websites: online streaming and catch-up TV (in 2015, 37% of channels had one or both of these functions), and some are setting up their own VoD services using various media (special websites, mobile apps, and smart-TV apps).

Overall, by the end of 2015 Russia had 41 independent VoD services, six of which were offered by pay-TV operators, and the remainder being OTT services. Twenty include HD content in their catalogues, and three of these offer 3D. The VoD market in Russia has been developing since 2005. The country's first services were paid, but then there began a move towards the advertising model (partly due to the need to compete with growing pirate video consumption). In 2012, the arrival of global players (Google Play and iTunes) and interest from major investment holdings swung the market back towards the transactional model. The demand for VoD subscription in Russia, however, is still low. Despite this, Netflix, another global leader operating on that model, entered the market in January 2016. More and more, services are adhering to a combined monetisation model to attract different categories of viewers, and are interacting with audiences via all types of interfaces (web, mobile apps, smart TV), assuming multi-screen consumption (on average, urban-dwellers in Russia used 2.4 media devices each to watch video in 2014).

Finally, it should be noted that the majority of Russian audiovisual companies are focused on operations within the country. Among pay-TV operators, only satellite companies broadcast in the countries of the CIS and Eastern Europe. Seventy Russian TV channels can be accessed by residents of other CIS countries; another 87 are broadcast worldwide. The vast majority of these channels broadcast in Russian. In the VoD sector, the situation is as follows: 13 services are available to viewers abroad (primarily in CIS countries), although the range of content is limited in comparison to their Russian versions, and a further service has a global target audience (i.e. Mosfilm's online cinema).

SYNTHÈSE

Ce rapport vise à décrire brièvement le marché de la télévision et de la vidéo à la demande (VoD) en Russie en 2014-2015. Les sources et les méthodes utilisées sont détaillées dans l'annexe.

Au cours de la période considérée, l'industrie audiovisuelle de la Fédération de Russie a été affectée à la fois par des difficultés économiques (à l'origine d'un ralentissement de la croissance du marché publicitaire en 2014 et d'une diminution en 2015) et par les décisions politiques prises par les dirigeants du pays, entraînant notamment la modification de plusieurs lois. La plus importante de ces modifications concerne la loi relative aux médias et limite à 20 % maximum toute participation étrangère dans un média russe à compter du 1er janvier 2016. Cette mesure a entraîné la restructuration de la propriété de grands groupes de média, de petites entreprises de radio et de télévision ainsi que de groupes de presse. Les modifications de la loi relative à la publicité entrées en vigueur en janvier 2015 interdisent la publicité sur les chaînes de télévision payantes. Ces dernières sont nombreuses à avoir ainsi été forcées d'acquérir des fréquences terrestres dans les régions et/ou d'augmenter leur part de contenu russe. Parallèlement et toujours en conséquence de cette loi, les recettes publicitaires des chaînes du câble et du satellite ont diminué de 46 % en 2015. Par ailleurs, en 2014–2015, la loi dite « antipiratage » a permis d'exercer une pression accrue sur les sites web proposant du contenu sans licence et de soutenir les services de VoD légaux.

Plusieurs grandes sociétés de l'industrie de l'audiovisuel russe occupent des places dominantes dans leur secteur respectif. Les principaux fournisseurs de télévision payante sont l'opérateur satellite Tricolor TV et l'opérateur IPTV et câble Rostelecom. Trois grands groupes détiennent la majorité des médias (principalement des chaînes de télévision) : Gazprom Media, National Media Group et Russia Television and Radio (VGTRK), principal bénéficiaire des subventions de l'État. Ces trois groupes possèdent désormais la quasi-totalité des grands réseaux de chaînes de télévision : NTV Plus et Red Media, VGTRK Digital TV, Discovery et Digital TV Family de Channel One. Les principaux réseaux indépendants sont 1HDTV et Viasat. Channel One, Rossiya 1 et NTV sont les trois principales chaînes terrestres, tandis que les services de VoD les plus lucratifs en 2014–2015 étaient ivi.ru (dont le modèle économique repose sur la publicité en ligne) et Okko (qui met l'accent sur la télévision connectée).

Aujourd'hui, la majorité des foyers russes reçoivent la télévision et ils sont même nombreux à disposer de plusieurs téléviseurs (le pays compte en moyenne 1,6-1,7 téléviseur par foyer). L'augmentation des temps d'écoute n'est pas seulement due à l'équipement des foyers mais aussi aux capacités techniques, par exemple la disponibilité de la télévision haute définition (en Russie, selon diverses estimations, 32 à 40 % des ménages possèdent un téléviseur compatible). Dix pour cent des foyers russes ont un téléviseur connecté, mais seulement 6 % utilisent effectivement cette fonctionnalité.

La qualité de réception affecte également le temps d'écoute. A l'échelle du pays, la réception analogique (câble et terrestre) reste dominante. L' expansion de l'IPTV et de la télévision numérique par câble, qui sont plus prometteurs du point de vue des fonctionnalités proposées à l'utilisateur et des recettes perçues par l'opérateur, est ralentie par le coût comparativement plus élevé des abonnements. Parallèlement, les opérateurs satellite ont gagné du terrain en Russie ces derniers temps, principalement grâce à leurs politiques offensives en matière de prix. Ils sont particulièrement appréciés dans les zones rurales où la réception est inégale et les connexions par câble difficiles d'accès. Ce n'est que récemment que les populations rurales se sont vues proposer une alternative aux opérateurs satellite, sous la forme de la télévision numérique terrestre qui compte 20 chaînes gratuites (deux multiplex).

Fin 2014, 85 % de la population avait accès à la télévision numérique terrestre.

La date limite pour l'arrêt de la réception terrestre analogique en Russie a été reportée à 2018 parce que tous les points de radiodiffusion prévus pour la télévision numérique ne sont pas terminés et seuls environ 40 % des foyers sont équipés d'un téléviseur compatible DVB-T2. Dans l'ensemble, la demande pour la télévision numérique en Russie reste faible : les experts estiment que la proportion de téléviseurs principaux du foyer recevant la télévision numérique ne dépasse pas les 6 % (15 % pour l'ensemble des téléviseurs du foyer).

La télévision payante est le fondement du marché télévisuel russe. Fin 2014, 38 millions de familles (68 % des foyers) étaient abonnées à la télévision payante. La plus forte concentration se trouve dans les districts fédéraux du centre et du Nord-Ouest (comprenant deux grandes villes - Moscou et Saint-Pétersbourg), alors que le plus faible taux est enregistré en Sibérie et en Extrême-Orient russe (ces régions sont celles qui connaissent désormais la plus forte croissance et ont le plus grand potentiel du point de vue de l'expansion de la télévision payante). En moyenne, les citadins russes ont à présent accès à près de 50 chaînes de télévision, le principal opérateur de télévision payante en proposant jusqu'à 200.

Au total, près de 2 500 chaînes de télévision sont enregistrées auprès du Service fédéral de surveillance dans les domaines des télécommunications, des technologies de l'information et des communications de masse (Roskomnadzor). Il s'agit majoritairement de chaînes régionales, y compris les partenaires de réseaux nationaux qui utilisent les fréquences régionales et n‘ émettent que quelques heures par jour (appelés « fenêtres »). Les chaînes généralistes ne représentent que 3 % de l'offre (en comparaison, les chaînes de divertissement, musicales et thématiques représentent 20 % du total). Cette fragmentation entraîne la diminution croissante des parts d'audience des chaînes terrestres (l'audience cumulée des trois principales chaînes terrestres est passée de 52 % en 2007 à 39 % en 2015), et les chaînes terrestres thématiques, en concurrence avec les chaînes payantes, ont commencé à expérimenter de plus en plus de concepts, changeant souvent de noms et de marques ces dernières années. Les chaînes de télévision payantes se concentrent principalement sur la qualité : 121 chaînes diffusées en HD en Russie, et six en 3D. Cela ne leur permet toutefois pas de fidéliser leur public : les téléspectateurs russes sont de plus en plus âgés dans la mesure où les jeunes préfèrent passer plus de temps sur les réseaux sociaux. De plus, d'importants changements démographiques ont eu lieu dans le pays : le nombre de personnes âgées de 15 à 25 ans a diminué de moitié entre 2005 et 2015.

Dans la course pour tenter de séduire les téléspectateurs qui se sont tournés vers internet, les chaînes de télévision développent de nouvelles offres sur leurs sites web : diffusion en flux continu en ligne et télévision de rattrapage (en 2005, 37 % des chaînes proposaient au moins une de ces fonctions) et, pour certaines, création de leurs propres services de VoD sur différents supports (sites web dédiés, applications mobiles et applications pour télévision connectée).

Fin 2015, la Russie comptait au total 41 services de VoD indépendants, six étant proposés par les opérateurs de télévision payante et le reste étant des services de télévision distribuée sur internet (OTT). Vingt incluent du contenu HD dans leurs catalogues, et trois d'entre eux proposent la 3D. Le marché de la VoD en Russie se développe depuis 2005. Les premiers services du pays étaient payants mais ils ont ensuite adopté un modèle basé sur les recettes publicitaires (en partie en raison de la nécessité de concurrencer la consommation croissante de vidéos pirates). En 2012, l'arrivée d'acteurs mondiaux (Google Play et iTunes) et l'intérêt d'importantes sociétés de placement ont ramené le marché vers le modèle transactionnel. Toutefois, la demande en abonnements VoD en Russie reste faible. Malgré cela, Netflix, autre chef de file mondial fonctionnant selon ce modèle, est entré sur le marché en janvier 2016. De plus en plus, les services adoptent un modèle de monétisation mixte pour attirer différentes catégories de téléspectateurs et interagissent avec le public par l'intermédiaire de tous types d'interfaces (web, applications mobiles, télévision connectée), en s'appuyant sur la consommation multi-écran (en moyenne, chaque citadin russe a utilisé 2,4 appareils média pour regarder la vidéo en 2014).

Enfin, il convient de noter que la majorité des entreprises audiovisuelles russes concentrent leurs activités au sein du pays. Parmi les opérateurs de la télévision payante, seuls les opérateurs satellite émettent dans les pays de la CEI et d'Europe de l'Est. Soixante-dix chaînes de télévision russes peuvent être regardées par les résidents d'autres pays de la CEI ; et 87 autres émettent dans le monde entier. La grande majorité de ces chaînes sont en russe. Dans le secteur de la VoD, la situation est la suivante : 13 services sont proposés aux téléspectateurs à l'étranger (principalement dans les pays de la CEI), bien que la gamme de contenus soit limitée par rapport à leurs versions russes, et un autre service cible un public mondial (à savoir, le cinéma en ligne de Mosfilm).

ZUSAMMENFASSUNG

Dieser Bericht gibt einen kurzen Überblick über den Fernseh- und Video-on-Demand-Markt (VoD) in Russland in den Jahren 2014–2015. Eine ausführliche Angabe der Quellen und Methoden, die diesem Bericht zugrunde liegen, ist im Anhang des Berichts enthalten.

In dem untersuchten Zeitraum stand die audiovisuelle Industrie in der Russischen Föderation vor enormen wirtschaftlichen Schwierigkeiten (diese haben dazu geführt, dass sich die Wachstumsraten der Werbeindustrie im Jahr 2014 verlangsamt haben und 2015 sogar zurückgegangen sind). Aber es gab auch eine Reihe von Entscheidungen der politischen Führung des Landes, vor allem Änderungen in der Gesetzgebung, die sich auf den Markt ausgewirkt haben. Die folgenschwerste dieser Entscheidungen war die Verschärfung des Mediengesetzes: Seit dem 1. Januar 2016 dürfen ausländische Investoren höchstens 20% eines in Russland verbreiteten Mediums besitzen. Dies hat zu einer Umstrukturierung der Eigentumsstrukturen bei den großen Medien-Holdings, aber auch bei kleinen Radio- und Fernsehgesellschaften und Printmedien geführt. Im Januar 2015 traten außerdem Änderungen des Werbegesetzes in Kraft, die Werbung in Pay-TV-Sendern verbieten. Dies hat viele der Sender gezwungen, terrestrische Frequenzen in den Regionen zu kaufen und/oder ihren Anteil russischer Inhalte zu erhöhen. Gleichzeitig gingen die Werbeeinnahmen bei Satelliten- und Kabelsendern 2015 um 46% zurück, auch dies eine Folge des Gesetzes. Auf der anderen Seite führte das so genannte „Anti-Piraterie-Gesetz“ in den Jahren 2014-2015 zu mehr Druck auf Websites mit illegalem Inhalt und kam so legalen VoD-Diensten zugute.

Der audiovisuelle Markt in Russland wird von wenigen großen Medienkonzernen beherrscht. Die größten Anbieter von Pay-TV sind der Satellitenbetreiber Tricolor TV und der Kabel- und IPTV-Anbieter Rostelecom. Die größte Zahl der Medien (vor allem Fernsehsender) befindet sich im Besitz der drei führenden Medienholdings: Gazprom-Media, National Media Group und Russia Television und Radio (VGTRK). Letztere erhält auch den größten Teil staatlicher Subventionen. Im Besitz dieser drei Gruppen befinden sich fast alle führenden Fernsehnetzwerke: NTV Plus und Red Media, VGTRK Digital TV, Discovery und die digitale Fernsehfamilie von Channel One. Die beiden größten unabhängigen Netzwerke sind 1HDTV und Viasat. Channel One, Rossiya 1 und NTV stellen die „drei großen” terrestrischen Kanäle dar, und die lukrativsten VoD-Dienste waren 2014–2015 ivi.ru (mit einem Geschäftsmodell, das auf Internetwerbung beruht) und Okko (auf der Grundlage von Geschäften mit Smart-TV).

Fernsehen hat heute in praktisch allen russischen Haushalten Einzug gehalten. Außerdem geben sich die meisten Russen nicht mit einem einzigen Fernsehgerät zufrieden (das Land hat einen Durchschnitt von 1,6–1,7 Fernsehgeräte pro Haushalt). Für die Zunahme der Fernsehdauer ist allerdings nicht nur der Besitz eines Fernsehgeräts verantwortlich, sondern auch bessere technische Möglichkeiten, etwa die Möglichkeit, HD-Fernsehen zu sehen (Schätzungen zufolge haben in Russland heute bereits 32–40% aller Haushalte HD-Fernsehen). 10% aller russischen Haushalte verfügen bereits über Smart-TVs, allerdings sind nur 6% mit dem Internet verbunden.

Die Dauer des Fernsehkonsums wird auch von der Empfangsqualität beeinflusst. In Russland ist analoges Fernsehen (Kabel und Antenne) nach wie vor die am weitesten verbreitete Art des Fernsehempfangs. Vergleichsweise hohe Abonnementgebühren verhindern eine stärkere Verbreitung von digitalem Kabelfernsehen und IPTV, die wesentlich benutzerfreundlicher und aus der Sicht des Betreibers auch vielversprechender sind. Gleichzeitig haben Satellitenbetreiber in jüngster Zeit in Russland immer mehr an Boden gewonnen, vor allem aufgrund ihrer Dumping-Preispolitik. Satellitenfernsehen ist vor allem in ländlichen Gebieten beliebt, da dort der Empfang in der Regel nicht besonders gut ist und Kabelanschlüsse kaum vorhanden sind. Erst seit kurzem gibt es für die Bewohner ländlicher Gebiete eine Alternative zu Satellitenfernsehen, in Form von digitalem terrestrischem Fernsehen, das 20 Kanäle (zwei Multiplexe) kostenlos anbietet. Ende 2014 hatten 85% der Bevölkerung Zugang zu digitalem terrestrischem Fernsehen.

Die Abschaltung des analogen terrestrischen Signals in Russland wurde auf 2018 verschoben, da nicht alle geplanten Übertragungsanlagen für digitales Fernsehen fertig gestellt waren und nur rund 40% der Haushalte über Fernsehgeräte verfügen, die Fernsehen im DVB-T2-Standard empfangen können. Insgesamt ist die Nachfrage nach digitalem Fernsehen in Russland gering: Experten schätzen den Anteil der Hauptfernsehgeräte mit digitalem Empfang auf gerade einmal 6% (15% für alle Geräte pro Haushalt).

Pay-TV ist die Säule des russischen Fernsehmarktes. Ende 2014 hatten 38 Millionen Familien (68% der Haushalte) einen Pay-TV-Anschluss. Am stärksten verbreitet ist Pay-TV in Mittel- und Nordwest-Russland (wo sich auch die beiden größten russischen Städte – Moskau und St. Petersburg – befinden), am wenigsten verbreitet ist Pay-TV in Sibirien und im Fernen Osten Russlands (das sind jene Regionen, die am schnellsten wachsen und das größte Potenzial für die Verbreitung von Pay-TV haben). Im Schnitt haben die Bewohner von russischen Städten heute Zugang zu rund 50 Fernsehkanälen. Der größte Pay-TV-Anbieter bietet sogar bis zu 200 Kanäle.

Insgesamt sind fast 2.500 verschiedene Fernsehkanäle bei der Föderalen Aufsichtsbehörde für Telekommunikation, Informationstechnologie und Massenmedien (Roskomnadzor) registriert. Bei den meisten handelt es sich um regionale Sender, darunter auch die Partner nationaler Netzwerke, die regionale Frequenzen nutzen und nur wenige Stunden täglich senden (die so genannten „Window Channels“). Vollprogramme werden nur von 3% aller Sender ausgestrahlt (zum Vergleich: Unterhaltungssender, Musiksender und Special-Interest-Sender machen 20% aus). Diese Fragmentierung hat zur Folge, dass die Zuschauermarktanteile von terrestrischen Sendern zunehmend zurückgehen (die Marktanteile der „Großen Drei“ sind von 52% im Jahr 2007 auf 39% in 2015 geschrumpft), und dass terrestrische Special-Interest-Kanäle, die im Wettbewerb mit Pay-TV-Sendern stehen, angefangen haben, mehr und mehr mit Konzepten zu experimentieren und in den letzten Jahren häufig den Namen und die Marke geändert haben. Pay-TV-Sender setzen vor allem auf Qualität beim Fernsehempfang: 121 Kanäle senden in Russland in HD und sechs in 3D. Allerdings wirkt sich dies nicht unbedingt auf die Zuschauerzahlen aus: Das Durchschnittsalter russischer Fernsehzuschauer nimmt stetig zu, junge Menschen ziehen soziale Netzwerke vor, in denen sie immer mehr Zeit verbringen. Außerdem hat es in den letzten Jahren erhebliche demographische Veränderungen in dem Land gegeben: Die Zahl der jungen Menschen zwischen 15 und 25 hat sich zwischen 2005 und 2015 halbiert.

Im Kampf um die Zuschauer, die an das Internet verloren gegangen sind, entwickeln Fernsehsender neue Angebote auf ihren Websites: Online-Streaming und Catch-up-TV (2015 boten 37% aller Sender eine oder beide Funktionen an), und einige gründen ihre eigenen VoD-Dienste über unterschiedliche Medien (spezielle Websites, mobile Apps und Smart-TV-Apps).

Ende 2015 gab es in Russland insgesamt 41 unabhängige VoD-Dienste, davon wurden sechs von Pay-TV-Sendern angeboten, die übrigen von OTT-Diensten. 20 boten HD-Inhalte in ihren Katalogen an und drei davon 3D-Inhalte. Der VoD-Markt in Russland entwickelt sich seit 2005. Die ersten Dienste, die angeboten wurden, waren kostenpflichtig. Aber anschließend setzte sich immer stärker das Werbemodell durch (zum Teil, weil die Anbieter sich gegen die Zunahme von illegalem Videokonsum durchsetzen mussten). Mit dem

Markteintritt von Global Playern (Google Play und iTunes) ab 2012 und dem Engagement von Investment-Holdings kehrte das Bezahlmodell zurück. Die Nachfrage nach VoD-Abonnements in Russland ist nach wie vor gering. Trotzdem ist Netflix, ein anderer Global Leader, der auf dieses Modell setzt, im Januar 2016 in den russischen Markt eingestiegen. Die Anbieter von VoD setzen inzwischen immer stärker auf eine Kombination von Bezahlmodell, um unterschiedliche Kategorien von Zuschauern anzuziehen, und Interaktion mit dem Zuschauer über alle Arten von Schnittstellen (Web, mobile Apps, Smart TV). Sie rechnen mit immer mehr Multi-Screen-Konsum (im Durchschnitt nutzten Bewohner von Städten 2014 in Russland 2,4 Mediengeräte, um Videos anzusehen).

Schließlich sollte noch darauf hingewiesen werden, dass die Mehrheit der russischen audiovisuellen Gesellschaften sich auf das Land selbst konzentriert. Unter den Pay-TV-Anbietern senden nur Satellitenbetreiber in die Länder der Gemeinschaft unabhängiger Staaten (GIS) und Osteuropa. Siebzig russische Fernsehsender können in anderen GIS-Ländern empfangen werden; weitere 87 weltweit. Die meisten dieser Sender senden in russischer Sprache. Auf dem VoD-Sektor sieht die Situation derzeit so aus: 13 Dienste sind auch vom Ausland aus zugänglich (vor allem in GIS-Ländern), allerdings ist der Inhalt begrenzt im Vergleich zu den russischen Versionen, und ein weiterer Dienst ist global verfügbar (Online-Kino von Mosfilm).

TELEVISION

Household equipment and viewing patterns

Household viewing patterns depend to a large extent on the media equipment and services used. One of the most important indicators for the television market – viewing time – is highly sensitive to such equipment-related factors as the number of television sets a household owns (per family member) and the type of TV reception. The more TV sets per household, the more choice family members have as to what they watch and when they watch it. Usually, longer viewing times are recorded in households with a greater number of television sets (per family member) and a wider choice of available TV channels.[1] According to data from the analytical centre Vi, for example, households with one (or more) television sets per family member watch 15% more TV than the national average. In households that have digital cable TV or IPTV, viewing times are 8% longer.

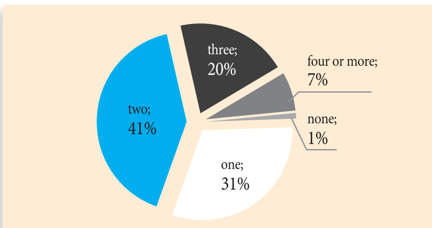
In addition to quantitative characteristics, other important equipment-related criteria are the availability of HD functionality and smart-TV capabilities on home TV sets. An HD television set (and HD channels) can increase viewing times, while smart TVs play an important role in increased consumption of video on demand (VoD) services.

These and other relevant criteria concerning media equipment on the Russian market are regularly measured and monitored. The most authoritative source of information is Rosstat (the Russian Federal State Statistics Service). In recent years, however, new technologies have been taking off at such a pace that a more dynamic means of measurement than government statistics is required. The gaps in the data are filled by commercial research consultancies (such as Vi, TNS Russia, iKS-Consulting, and J'son & Partners Consulting). Data from these companies is used in this report.

Over the last three years, the number of household television sets has remained stable, as confirmed by a number of independent studies. According to research by iKS-Consulting, in 2014 Russian families owned more than 87 million TV sets, an average of 1.7 sets per household (in large cities the average figure can be as high as 1.9–2, while it is 1.3 in rural areas). According to data from Vi, in 2014 there was an average of 1.64 television sets per urban household. Just over half (52%) of urban households had one TV set. A third (34%) had two, another 12% had three, and the remaining 2% had more than three TV sets. For Russia as a whole (including rural populations), the picture is slightly different. According to research conducted by Knowledge Management Centre for the Russian Television and Radio Broadcasting Network (RTRS, which is responsible for TV signal distribution and is managing the transition to digital broadcasting)[2], a third of Russian households had one TV set, 41% had two, 20% had three, and 7% had more than three.

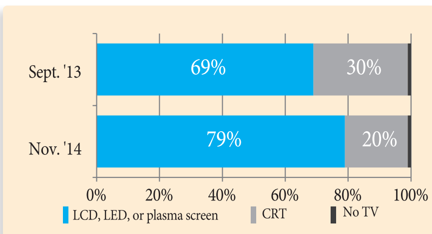
Number of TVs per family | November 2014

Source: RTRS, Knowledge Management Centre



Type of main TV

Source: RTRS, Knowledge Management Centre



(1) Applies to linear viewing (watching programmes at time of broadcast).

(2) In 2013 and 2014, two rounds of research were conducted. Around 19,000 people over the age of 18 from 83 Russian regions took part. For more information see: http://ртрс.рф/description/research/ (available in Russian only).

Some of the rapidly changing characteristics of television sets in Russian households include the type of television set and the availability of additional functionality (smart-TV, HD, and 3D capabilities).

According to Vi, in 2014 two thirds of urban households (67%) had at least one modern flat-screen (panel) television set, although flat-screen TVs accounted for just over half (57%) of all television sets in 2014. This can be explained by the fact that a household's so-called 'main' television (in the living room or largest room) is the first to be upgraded. Many households have not yet upgraded their 'second' televisions, let alone their third. This is backed up by research conducted by Knowledge Management Centre: in the year from September 2013 to November 2014, the share of main television sets which were modern flat-screen TVs grew from 69% to 79%, while the proportion of CRT TVs used as main sets fell accordingly, from 30% to 20%.

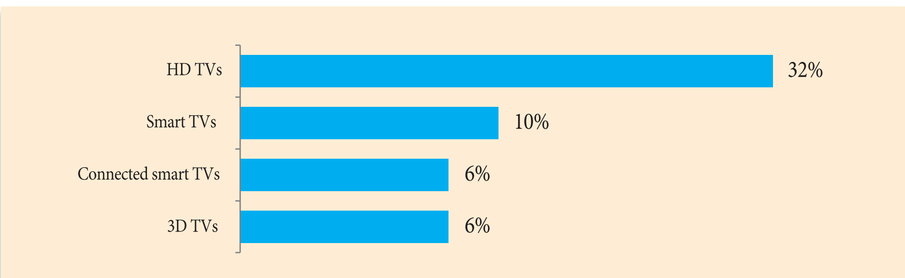
In the next few years, the proportion of flat-screen panels in households will continue to grow: in 2014, according to research by iKS-Consulting, LCD TVs already accounted for more than 90% of all national TV sales.

Out of all the additional functions listed above, smart TV is the most recent development, but is nevertheless the most important for the modern market. The smart TV combines features from two key mediums: the biggest and most user-friendly screen in the home (television) and the endless possibilities of the Internet. Ideally, smart-TV users can move swiftly from the world of television to the Internet and back again, just by pressing a single button on their remote control. In practice, however, the take-up and expansion of smart TVs is progressing more slowly.

According to data from Vi, in 2014 there were smart TVs in 5.3 million urban households (13.5%). The greatest interest in smart TVs is currently being shown by young families with children. In 2014, these households accounted for half (48%) of all smart-TV ownership. In comparison, these types of families make up around 30% of the population. In addition, this technology is more familiar to and better understood by experienced computer and Internet users. In 2014, almost a third (29%) of smart-TV owners were households already well-equipped with media devices (i.e. three or more computers/tablets etc.). In comparison, the number of households with such a high concentration of media devices was significantly lower among the overall population (18%). Of course, all this – both being well-equipped with computers and being able to afford a smart TV – is intrinsically linked to a household's financial situation. However, being well-off is no longer a necessary requirement for households with smart TVs: in 2014, 40% of smart-TV owners claimed their family's financial situation was somewhat modest.

Saturation of different types of TVs in Russian households | end 2014 (estimated)

Source: iKS-Consulting



The difference in price between a flat-screen set with smart-TV functionality and one without is no longer significant. According to estimates from major retailers, in 2014 around 50% of all television sets sold had smart-TV functionality.

Not every household with a smart TV actually uses its smart-TV capabilities. This is most clearly shown by the statistics for smart-TV Internet connections. Vi estimates that in 2014, 3.3 million urban households had smart TVs connected to the Internet, just over half (63%) of all households with smart TVs. Research conducted by iKS-Consulting brought similar results: 10% of Russian households had smart TVs but only 6% had connected them to the Internet in 2014.

HD technology deserves individual attention, as it is an independent factor that can contribute to increased viewing times. This technology has a much lower level of saturation in Russia than in Western countries. According to data from Vi, 40% of urban households had at least one HD television set in 2014. This figure is even lower when calculated for the population as a whole (32% according to data from iKS-Consulting). It is expected to increase over the next few years, but not at a rapid rate. Research by Vi shows that currently, 7% of television sets are upgraded every year in urban households. This figure is likely to dwindle over the next few years due to the instability of the economy.

Distribution of television

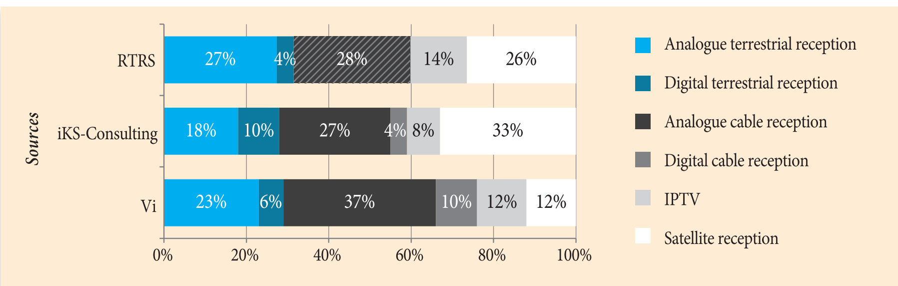
TV reception in Russia

Currently, all of the world's most common broadcasting technologies are available in Russia:

- analogue terrestrial
- digital terrestrial
- analogue cable
- digital cable
- satellite
- hybrid (digital cable and Internet)
- IPTV
- OTT

Each of these technologies is a specific television format with its own set of capabilities. The quality of each format is, in turn, closely linked to viewing times. Russian and international research shows that a better television viewing experience (more channels, better picture quality, additional services) results, on average, in higher viewing times. According to data from Vi, the most common form of TV reception in urban households in 2014 was analogue cable (37%). The second most popular was analogue terrestrial (23.5% of households). Satellite reception was used in 12% of urban households, and IPTV in a further 12%. Another 10% of

Distribution of television in Russia | 2014



households had digital cable, while 6% used digital terrestrial technology. Vi's calculations reflect reception on a household's main TV set (on which around 75–80% of the family's viewing takes place).

In the Russian media research market, several other criteria are used to reflect the structure of TV reception: some use number of subscribers (iKS-Consulting, J'son & Partners Consulting); some account for all types of reception used in a household (Knowledge Management Centre for RTRS); and some account for different demographics (urban population, Russia as a whole, cities of 100,000+, etc.). As an illustration, the figure on page 13 provides data from three research consultancies obtained using different methods.

Despite the differences in methodology, it is evident that the most common type of reception is analogue cable. The broad demand for analogue cable is explained firstly by its low cost and secondly by the relatively large number of channels available (around 40 to 50 depending on the region and pay-TV provider) and its stable reception. These also happen to be the obstacles to the development of more modern television services (digital cable and IPTV) in Russia.

Terrestrial television and the transition to digital broadcasting

Analogue terrestrial reception is the oldest method of relaying television signals into homes, however it is now outdated. Other reception technologies are now widely used and analogue terrestrial television lags far behind in many areas which are important to the consumer (number of channels available, picture quality, etc.).

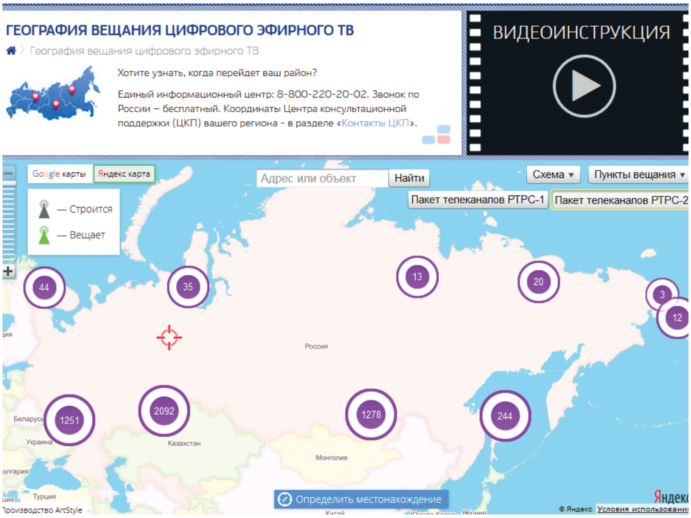
Ten years ago, over a hundred countries (including Russia) signed the Geneva Agreement on the date for the 'euthanasia' of analogue terrestrial television, stipulating that in summer 2016, agreements protecting analogue terrestrial frequencies used for broadcasting in neighbouring countries would come to an end on all continents. In 2007, to complete the transition to digital terrestrial broadcasting, Russia drew up a special Concept of Development (for 2008–2015). However, it was subsequently decided that the transition period would be extended to 2018.

Three digital multiplexes, i.e. three frequencies (with around 30 channels in total) available in digital terrestrial format, are planned for Russia. Currently, one or two multiplexes are operating in different regions of Russia, some on a trial basis. By the end of 2015, Russia had two multiplexes, each with ten channels. The first multiplex (RTRS-1) broadcasts in digital format and is financed from the federal budget. It must be included in all satellite and cable packages. RTRS-1 comprises the following channels: Channel One, Rossiya 1, Match TV, NTV, Peterburg - 5 kanal, Rossiya K, Rossiya 24, Karusel, OTR, and TV Centre.

The channels in the second multiplex (RTRS-2) must also be available on all services, but they are financed independently. This multiplex includes the following television channels: REN TV, Spas, CTC, Domashniy, TV3, Pyatnitsa!, Zvezda, Mir, TNT, and MUZ TV.

According to the Federal Target Programme for the Development of Television and Radio Broadcasting in the Russian Federation 2009–2018, the construction of a digital terrestrial television broadcast infrastructure using DVB-T2 is being carried out by 76 branches of RTRS in 83 regions of the country. This is being done in a specific sequence: four groups of regions have been identified and are being gradually equipped to receive digital terrestrial TV. Upon completion of the programme, the digital TV network will have around 5,000 broadcast points (ground-based broadcasting stations are currently under construction), with 98.4% of the population covered by the first multiplex and 98.1% covered by both multiplexes.

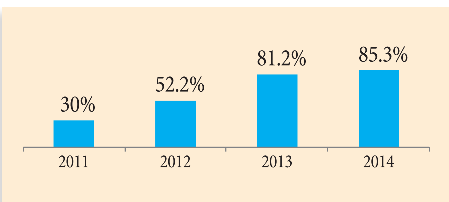
Number of masts that will be built for broadcasting digital terrestrial signals as part of the federal target programme, by Russian region
Source: RTRS - http://ртрс.рф/when (available in Russian only)



According to data from the Federal Agency for Press and Mass Communications (Rospechat), over 85% of the population was able to access digital terrestrial television by the end of 2014 .

The level of demand for digital terrestrial television in urban areas is still relatively low. As mentioned earlier, according to data from Vi,

Share of Russian population able to receive digital terrestrial channels
Source: Rospechat



approximately 6% of households have a digital terrestrial signal on their main television; when second and third televisions are taken into account, this figure rises to around 15%. When analogue terrestrial television is turned off, these figures will see a considerable rise as a significant number of those currently using analogue terrestrial reception will switch to digital. For this section of the population, the main obstacle to switching to digital terrestrial TV is the absence of modern television sets capable of DVB-T2 reception.

Research by Knowledge Management Centre reflects the rising trend in the number of people able to receive digital TV: in 2013–2014 the share of households where the television set could actually receive a digital signal in DVB-T2 format grew from 20% to 40%. Analysts note that the leaders of change in this regard were those living in the first regions to be connected to digital TV, where 49% of families have acquired modern, DVB-T2-capable TV sets. In each of the successive regions to be connected this share fell, reaching a minimum level in the fourth region due to connection, where only 36% of families have modern television sets theoretically capable of receiving DVB-T2.

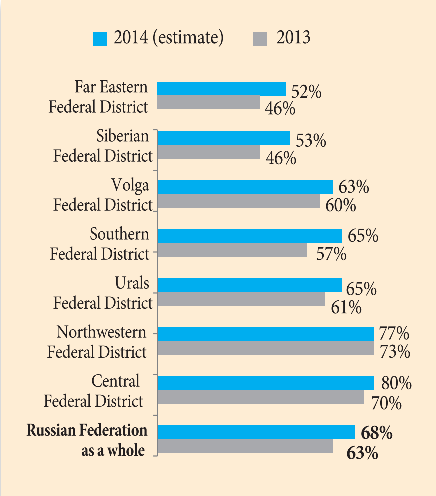
Pay-TV in Russia

There are currently two different approaches to assessing the number of users (subscribers) of 'pay-TV' services in Russia. This is the result of the specific factors which shaped the market in the 1990s (when pay-TV in Russia essentially took root). At that time, in large Russian cities, operators took it upon themselves to carry out the wholesale connection of apartment blocks to analogue cable TV, at no charge. All the flats in these blocks would then receive their signal from the pay-TV operator (rather than via a communal terrestrial aerial). This approach provided more channels and better reception than terrestrial TV. The cost of the service was slightly higher than the communal aerial standing charge. These households are frequently included as pay-TV subscribers.

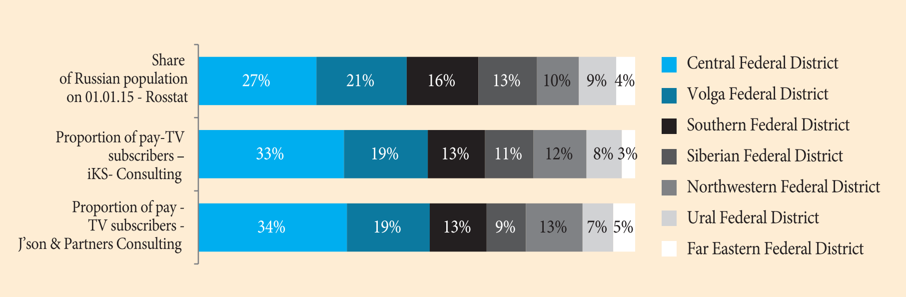
The second approach considers pay-TV subscribers to be only those households which have a contract with an operator. Considering the situation in Russia, it is also important to include statistics on the reception method (public polls) and operator data (subscriber databases), as this information reflects different aspects of how the pay-TV market functions. This section looks mainly at operator data on pay-TV subscribers (collected by research consultancies). By virtue of the variety of methods used for collecting the data and objectives set, the information may differ somewhat.

According to data from iKS-Consulting, 68% of households subscribed to pay-TV in 2014, 8% more than the year before. The highest saturation of pay-TV was seen in the Central and Northwestern districts (80% and 77%, respectively). Meanwhile, the fastest growth rates were observed in Siberia (+15%), Central Russia and the Southern Federal District (+14%), and in Russia's Far East (+13%). The first and latter in this list are also the ones with the most potential for further development (due to their relatively low saturation level).

Saturation of pay-TV services by federal district
Sources: Rosstat, iKS-Consulting



Geographical coverage of pay TV in Russia | 2014
Sources: Rosstat, iKS-Consulting, J'son & Partners Consulting



The total number of pay-TV subscribers in Russia reached 37.7 million in 2014, according to estimates by iKS-Consulting. Data by J'son & Partners Consulting confirms these figures, with an estimate of 37.6 million. However, this data does not account for the fact that one family may have several subscriptions. Experts from iKS-Consulting estimated the size of the pay-TV market in 2014 at RUB 61.2 billion. J'son & Partners Consulting had a more optimistic estimate of RUB 66.5 billion.

Market growth by subscriber numbers is gradually slowing down (due to market saturation): in 2014, the market grew by 7–8%, whereas this indicator had previously been in double figures. In monetary terms, the research institutes do not concur: iKS-Consulting noted a slowdown in 2014 (+12% against +19% in 2013), while J'son & Partners Consulting recorded an increase in growth (+16% against +14% in 2013). This is mainly due to the different evaluations for IPTV and satellite TV.

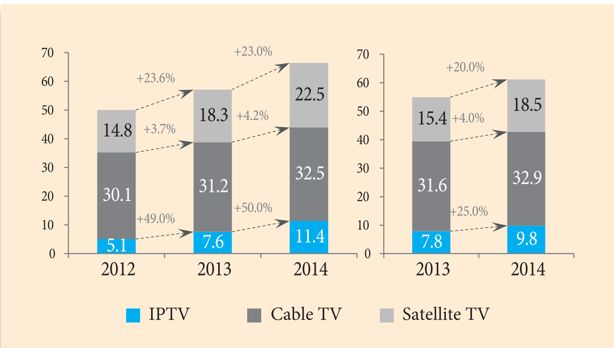
Analysts agree that there has been a notable stagnation in the cable pay-TV segment in Russia: all operators are actively switching their current subscriber base from analogue to digital TV, as a result of which the total number of subscribers saw almost no change from 2013 to 2014, although operators' revenues increased slightly (by 4%).

Satellite television is the growth leader in absolute terms, but according to iKS-Consulting, operators in this sector are gaining ground mainly due to price dumping and aggressive marketing policies. Researchers estimate the growth in the number of satellite TV subscribers in 2014 at 14.5%, and the market gain in roubles at 20%. Experts from J'son & Partners Consulting note a more significant difference, asserting that the number of connected subscribers grew by 11% in 2014, while revenues increased by 23%.

The greatest discrepancies in the estimates are apparent in the IPTV sector. Analysts see it as the fastest growing market, but the growth rate estimates put forward by the two consultancies differ by a factor of two. According to iKS-Consulting, the IPTV subscriber base in Russia grew by 16% in 2014, while revenues grew by 25%; J'son & Partners Consulting puts the figures at 27% and 50% respectively.

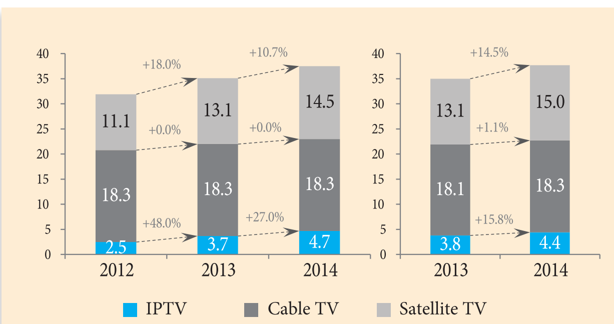
Pay-TV revenue in Russia (RUB billions)

Sources: J'son & Partners Consulting (left), iKS-Consulting (right)



Number of pay-TV subscribers in Russia (millions)

Sources: J'son & Partners Consulting (left), iKS-Consulting (right)



The main trend in pay-TV over the next few years will be a growing subscriber base in the digital segment and in IPTV. Growth will be moderate, though rates of growth could vary significantly between individual operators. The significant network modernisation observed over the past two to three years is not expected to continue, due to financial and economic difficulties in the market.

One key tool for attracting digital subscribers will be package offerings which include broadband Internet access, IP telephony, and IPTV. The growth in the subscriber base for satellite TV will be minimal, as demand for government-funded satellite offerings has been largely met already (in rural areas, the urban private sector, and so on). The next genuine growth point in the subscriber base for satellite operators will occur with the switching-off of analogue terrestrial broadcasting, which is scheduled for 2018. The analogue switch-off will also stimulate demand for digital terrestrial TV. It is these two technologies (digital terrestrial TV and satellite TV) that will mainly be competing for the households which will retain analogue terrestrial television right up until it is finally switched off (according to Vi estimates, around 25% of households will still be receiving analogue terrestrial TV by 2018).

Analysts at iKS-Consulting, in turn, see the potential for the market's breakthrough development in non-linear viewing provided by pay-TV operators. This sector is still underdeveloped in Russia: companies tend not to have their own OTT services. The exception is Rostelecom with its zabava.ru portal that subscribers can access for free. Another example is the open access to ivi.ru provided for subscribers via set-top boxes from cable operator ER-Telecom (Dom.ru). Mobile networks are starting to develop their own OTT platforms. In 2014–2015, MTS and Megafon launched their own portals; either as part of a contract or at an additional charge (subscription or pay-per-view); both companies offer access to TV channel packages and film catalogues. In fact, the content of the MTS TV and Megafon TV libraries is the result of including the formerly independent VoD services Stream and Trava.ru as part of the mobile TV service.

Nevertheless, the range of services provided by pay-TV operators in Russia is expanding and the main trend in 2014–2015 was the development of multiroom services (allowing several television sets in the same household to connect to the service). This strategy is primarily aimed at increasing average revenue per user (ARPU), and it also helps to attract (or rather, convert) subscribers to digital cable television. The experience of established foreign markets has shown that an important area of development in the next few years in Russia will be TV Everywhere services, which allow users to continue watching content on different devices. At the same time, VoD services, especially those available on a subscription basis (Amediateka, Okko), are increasingly offering this function.

Market players

The major players in the Russian pay-TV market in 2014 were Tricolor TV (market share 29%), Rostelecom (21%), MTS (7%), ER-Telecom (7%), and Orion Express (7%). Estimates by iKS-Consulting and J'son & Partners Consulting of the market share held by these companies concur. The remaining operators have a share of around 29% of Russian subscribers. Meanwhile, several pay-TV operators are accessible outside the Russian Federation (for example, IPTV from MTS is available in Belarus).

Taking into account geographical coverage, as well as subscriber numbers, among the largest Russian pay-TV operators are companies such as Komkor (Akado brand), VimpelCom (Beeline TV), NTV Plus, and TTK.

Key facts about major pay-TV operators in Russia

Source: iKS-Consulting, Nevafilm Research, MAVISE database

Operator	Broadcast type	Far Eastern FD	Volga FD	Northwestern FD	Siberian FD	Ural FD	Central FD	Southern FD and North Caucasus FD	Number of subscribers, 2013 (millions)	Number of subscribers, 2014 est. (millions)	Number of TV channels offered in autumn 2015	Video on demand
Tricolor TV	satellite	x	x	x	x	x	x	x	10.1	10.9	209	
Rostelecom	cable, IPTV	x	x	x	x	x	x	x	7.5	7.8	220	x
MTS	cable, IPTV, satellite	x	x	x	x	x	x	x	2.6	2.7	179	x
ER-Telecom (Dom.ru)	cable		x	x	x	x	x	x	2.5	2.6	188	
Orion Express (Orient Express, Telekarta, Kontinent TV)	satellite	x	x	x	x	x	x	x	2.0	2.6	99	
Komkor (Akado)	cable						x		1.1	1.2	200	x
VimpelCom (Beeline TV)	cable, IPTV	x	x	x	x	x	x	x	1.0	1.1	256	x
NTV Plus	satellite	x	x	x	x	x	x	x	0.7	1.0	227	x
TTK (TransTeleCom)	cable, IPTV	x	x	x	x	x	x	x	0.2[1]	0.3[1]	105	

(1) A. Fedoseev, TTK primnozhil ShPD [TTK multiplies broadband access]. ComNews, 12.09.2014, available at http://www.comnews.ru/node/87396#ixzz3vbexsBBt (in Russian only)

According to data from MAVISE, the widest range of products (around 200 TV channels plus VoD, including 'near video on demand') are offered by Rostelecom, MTS, Akado, Beeline TV, and NTV Plus. Satellite operators Tricolor TV and Orion Express have the widest geographical reach in terms of subscribers, but due to technical limitations they are able to offer only a limited selection of additional services.

It is worth noting that in 2014, two important events occurred in the satellite television sector: one of the leading companies, DalGeoKom, operating under the brand name Raduga TV with 420,000 subscribers, pulled out of the market after the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (Roskomnadzor) did not renew its licence; at the same time, MTS launched its own satellite television service which (along with Orion Express) took on some of Raduga TV's subscribers on preferential terms.

Television services

TV channels

In 2015, changes were made to the line-up of terrestrial television channels. On 1 November, a new sports channel, Match TV, part of the Gazprom Media Holding, began broadcasting on the Rossiya 2 frequency. Its owners plan to use it as the basis for creating a complete sports holding company, with the inclusion of the NTV Plus sports channels. In mid-November, Peretz went off air (its owner, CTC Media, explained that it was considering to continue with a cable version, but by the end of 2015 it had still not been launched), and

Che Channel, aimed at an older male audience, began broadcasting on its frequency. Finally, at the end of October 2015 Gazprom Media announced that the only Russian terrestrial channel specialising in animated programming for adults since 2007 (2x2) was moving to cable and satellite, and that starting on 1 January 2016, the channel TNT 4 would take its place, broadcasting mainly programmes by Comedy Club Production.

With the aim of checking and updating Russian TV channels in the MAVISE database on television and audiovisual services and companies in Europe[1], Nevafilm Research compared lists of licences issued by Roskomnadzor, as well as the products offered by major pay-TV operators and industry databases (such as http://www.cableman.ru/ and the list of participants in World Content Market in Moscow). A total of 2,370 TV channels were identified as operating and accessible in Russia and/or having licences to broadcast in the country. Of these, at least 520 are regional representatives of national networks, the largest of which (with over 50 regional partners each) are REN TV, TNT, Rossiya 1, CTC, and Rossiya 24. The European Audiovisual Observatory classifies these types of regional TV companies as 'windows', i.e. they broadcast their programmes within their national partner's schedule. In Russia, it is these companies which generally hold the terrestrial broadcasting licences in the region, but they do not have sufficient content to fill 24 hours of airtime every day.

In total, around 1,500 TV channels are regional, and most of these do not even have their own websites, making it difficult to provide further information about them. Often, the only information available is the details of their Roskomnadzor licence (date of issue, founding company, broadcasting language, licence type). However, holding a licence does not necessarily mean that a broadcasting company is active. For this reason, channels which could not be proven to be currently operating were excluded from this analysis. Window channels were also not examined. In addition, the study does not include Russian-language Internet channels, which do not require licences from Roskomnadzor and which can be accessed both within Russia and abroad. Thus, a total of 739 channels, all accessible to viewers in Russia and operating at the end of 2015, were analysed. These are considered to be sufficiently representative of the domestic television landscape today.

Over 80% of Russian channels are in the hands of private companies, 13% are state-owned, and 5% have combined ownership (some of their shares are held by national or regional authorities). At the start of 2016, the major media holdings, owning the largest number of channels, were Gazprom Media (owning a total of more than 50 channels including the Red Media and ProfMedia holdings), VGTRK (30 channels owned partially or outright, plus regional television and radio companies), and National Media Group (25 channels, including Discovery Communications and Turner Broadcasting Systems). At the end of 2015, two individuals also became major Russian media magnates: Anatoly Karyakin (who owns 19 channels on the Viasat and Trace networks) and Maxim Mayorets (15 channels on MTV Networks). This is the result of the law prohibiting foreign companies from owning more than a 20% stake in Russian media companies and requiring foreign channels to seek partners inside the country.

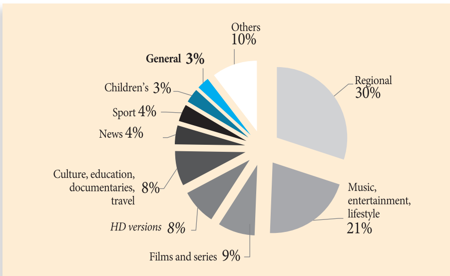
The largest network TV companies in Russia are NTV Plus (offering viewers 26 of its own channels), Viasat Russia (15 channels), Discovery (14), 1HDTV and Red Media (13 channels each), as well as Channel One's Digital TV Family, VGTRK Digital Television, and Fox International, which includes National Geographic, with nine channels each.

A third of TV channels operating in Russia at the end of 2015 (222 out of the 739 examined) were general regional channels (broadcasting local news and their own entertainment programmes, as well as independently purchased content). Approximately, another 40 are specialist channels, but accessible in

(1) MAVISE - database on television and audiovisual services and companies in Europe: http://mavise.obs.coe.int/

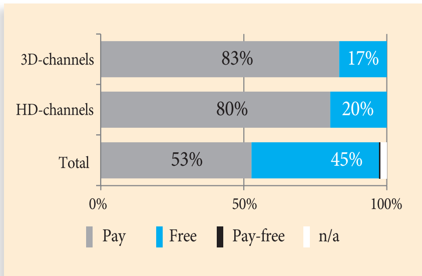
Genres of main TV channels available in Russia | End of 2015

Source: MAVISE database



Access to TV channels in Russia | End of 2015

Source: MAVISE database



only one region of the country (telecommunications operators' promotional channels dominate; popular genres include news, music, and entertainment, as well as culture and religion).

Channels devoted to music and entertainment and lifestyle programming make up 21% of the currently operating Russian TV channels. The third most popular group of channels is those broadcasting films and series. It is worth noting that national channels broadcasting generalist content, such as Channel One, Rossiya 1, NTV, Peterburg - 5 kanal, REN TV, and TV Centre account for only 3% of the range available to audiences.

A small proportion of the channels studied (60 - 8% of the total) are HD versions of both free terrestrial and pay-cable channels available to digital TV users. Meanwhile, there is a total of 121 HD channels in the MAVISE database, meaning half of them do not have standard versions accessible to viewers of analogue TV.

The vast majority of HD (97 out of 121) and 3D channels (5 out of 6) are pay channels. Overall, more than half of all the channels available in Russia are pay channels, and a large proportion of free-to-air channels are provided by regional terrestrial television and radio companies. Hence, in every single region of the country viewers must pay to access the majority of TV channels.

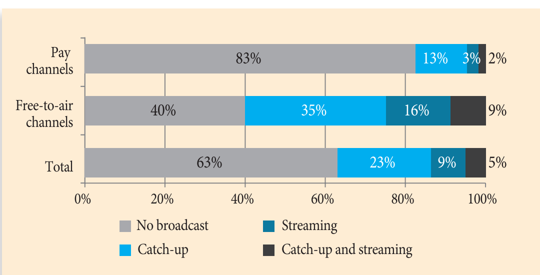
Free TV channels are promoting new services for viewers on their websites – live online streaming or catch-up TV: 60% percent of free-to-air channels offer the services, while only 27% of pay-TV channels do the same. In the country as a whole, 37% of channels can be viewed via their websites: 9% offer live streaming, 23% offer catch-up TV, and another 5% offer both.

Of the TV channels analysed, 79% were domestic. Among the foreign companies broadcasting in Russia, the majority were North American (52 channels), British (34), and French (30).

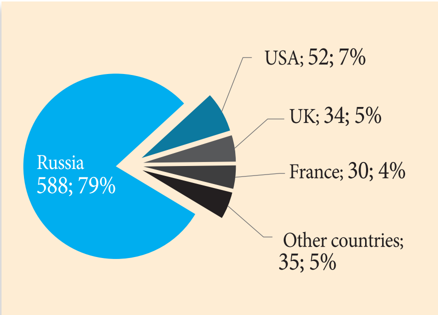
Foreign channels usually (in 60% of cases) have Russian-language versions; English dominates among foreign-language broadcasts (around 25%).

TV channel website services available in Russia | End of 2015

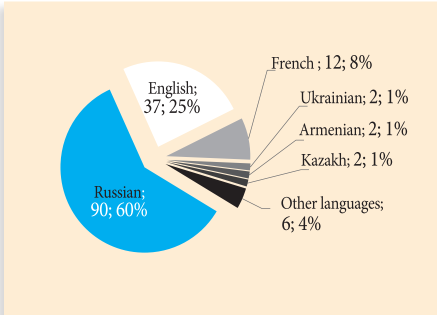
Source: MAVISE database



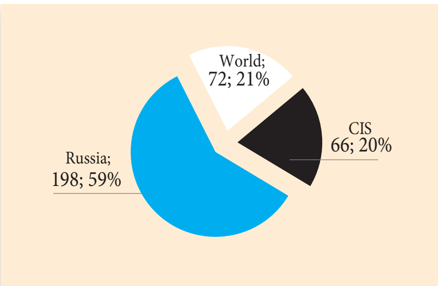
Country of origin of channels available in Russia | End of 2015
Source: MAVISE database



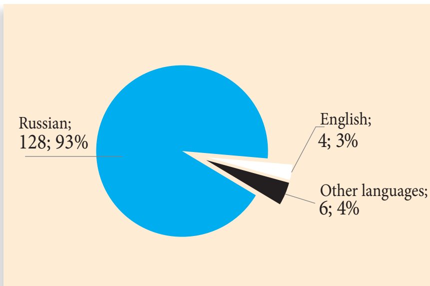
Broadcast language of foreign channels available in Russia | End of 2015
Source: MAVISE database



Broadcast territory of Russian national channels | End of 2015
Source: MAVISE database



Main broadcast language of Russian channels available abroad | End of 2015
Source: MAVISE database



Over half of the channels (59%) established in Russia (excluding regional channels) are only available within the country. The remainder broadcast both inside and outside of Russia. Of these, 21% are accessible globally, and another 20% are broadcast in the countries of the CIS. The vast majority of these channels (93%) broadcast in Russian as their main target audiences are Russian speakers. Approximately another 3% broadcast in English, while the remaining 4% broadcast in other languages including Arabic, Armenian, Spanish, Tatar, Ukrainian and French.. The Russia Today network has made a large contribution to linguistic diversity in broadcasting. It broadcasts in English, French, Spanish, and Arabic.

TV audience

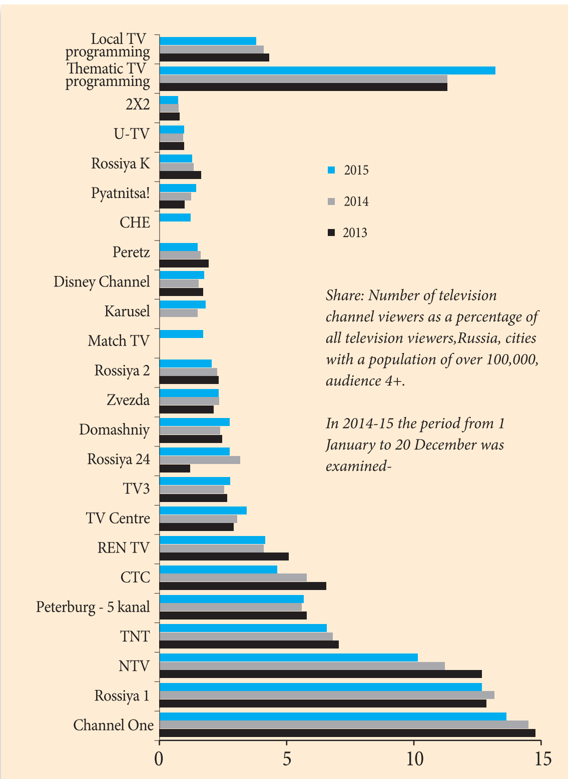
Two key audience trends are fragmentation and an increase in the average audience age. Fragmentation is linked to the increase in the number of available TV channels. Between 2007 and 2015, the average number of channels available to urban populations tripled from 17 to 51 (according to data from Vi). This growth is due to the development of non-terrestrial reception methods (for more details, see section Distribution of television).

The best illustration of the fragmentation process is the reduction in the audience market share of the most popular channels, namely the so-called

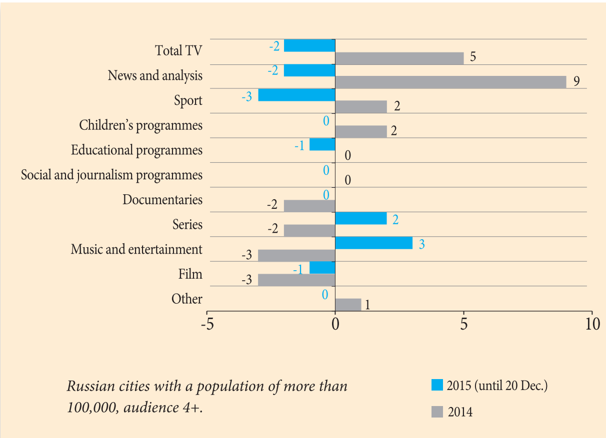
'Big Three', comprising Channel One, Rossiya 1, and NTV. In 2007, their total audience share was 51.5%, but by the end of 2014 it was only 39% (according to data from TNS Russia). As the variety of options on the television 'menu' increased, viewers, particularly young people, began to spend less time watching generalist channels, adding specialist channels to their TV consumption. All this time, there was sharp competition among these specialist channels as they battled for viewers, seeking out their exclusive niche. During the course of this battle, several players pulled out of terrestrial TV, moving exclusively to cable and satellite broadcasting. Two music channels, for example, lost their broadcasting slots: the Russian MUZ TV (which went off the air in September 2012) and the American MTV (in May 2013). During this time many others began aiming at new target audiences and adapted their content, not to mention their logos, slogans, etc. When competition is fierce, these efforts are still not always enough for a company to strengthen or even maintain its previous market position. For example, between 2013 and 2014, only six of the 20 major channels managed to increase their audience shares (Channel One, Rossiya 1, Rossiya 24, TV Centre, Zvezda, and Pyatnitsa!). The market share of other channels declined, some significantly, others less so (the exception was Euronews, which maintained audience figures at their 2013 level). These changes were the result of pressure from a large number (over 200) of niche non-terrestrial channels which, at the end of 2014, had a combined audience share of 11.3%, rising to 13.2% at the end of 2015.

The second most significant trend characterising the contemporary Russian television audience is the increase in the average age of viewers. This is a structural change and is linked to two trends. On the one hand, young people are watching TV less often and are spending less time in front of TV screens every year. Older viewers, by contrast, are spending more and more time watching television. When it comes to attracting young people, television's most significant (media) rival is currently the Internet and the services it offers: social networks, blogs and forums, online gaming, and numerous video resources.

Trends in audience shares for terrestrial channels |2013-2015
Source: TNS Russia



Change in average daily viewing time, population +4 in Russia (min.)
Source: TNS Russia



According to data from Vi, an absolute majority of young people (aged 15–34) are active Internet users: 81% use it every day (or almost every day); among the older generation (aged 55 and over), this figure is almost five times smaller (18%). For many people of the older generation, the television is not just their main, but often their only form of leisure, entertainment, and relaxation.

Significant public and political events can, albeit temporarily, cause a considerable spike in viewing, including among young people. In 2014, this was the case with the Sochi Winter Olympics and the Ukraine crisis. Using statistics from TNS Russia, Vi observed that in 2014, television viewing times reached their highest point since statistics began (in 1999). The average member of the adult population (18+) spent 4 hours 20 minutes per day in front of their screens.[1] However, in 2015 there was much less excitement surrounding sporting events or the news and average viewing fell again by two minutes.

(1) From an article by I. Poluekhtova, Kak i chto my smotreli v 2014 godu [How and what we watched in 2014]. Iskusstvo Kino No.4/2015, pp. 28–37.

VIDEO ON DEMAND

Stages of development

By analysing the processes in the development of VoD services in Russia, the entire history of these services can now be divided into two stages, which determine the trends and development prospects of this market.

- **Stage 1 (2005–2010) – birth of the VoD market,** starting with experimental pay-per-view. The market then moved towards increasing interaction with its audience. At the same time, there was a movement on the market from a paid-access business model to an ad-based business model, with viewing becoming free of charge.

  A characteristic of this stage was the incorporation and use of more and more new technology platforms (satellite, IPTV networks, Internet, mobile devices) to which access was becoming easier. Technical capabilities were also being improved. The libraries of rights held by VoD operators were small, and the number of rights holders who were prepared to work with them was limited, as the rules for collaboration were only just being developed. Many distributors and film producers were afraid to provide rights without a guaranteed income, and wanted large upfront payments, which many new services could not afford. The services were not very well known to the Russian audience and their expansion was hindered by the scant selection of content, difficulties regarding accessibility and usability among users, as well as by the high level of video piracy in the country.

  One can consider the end of this stage of development to be the entry of TV companies into the market: by 2010 the main TV channels launched catch-up TV services on their websites and in the same year a pay-per-view service was launched by the largest satellite TV operator in Russia, Tricolor TV, with ten million subscribers (it is worth noting that the company did not stay in the VoD market for long; by 2012 its Cinema service had become accessible for an annual subscription, basically turning it into a standard satellite channel rather than a pay-per-view service).

  Thus, by the end of the first stage, there had been a sharp increase in the potential number of VoD service users, and the volume of legally accessible content had increased.

- **Stage 2 (from 2011) – fast growth in the market** characterised by an increase in the number of services and the size of their catalogues, as well as the platforms via which VoD can be accessed. At the same time, from a business-model point of view a 'backwards movement' began: from the dominant ad-based model towards a transaction and subscription model.

  In 2011, significant investment began to flow into the Russian VoD market. Online services run by media holdings appeared, which created their catalogues through contracts with a multitude of producers, including Hollywood majors, whose prime content was made available for a fee. The proportion of HD and 3D films also grew, and starting in 2016, one can expect the arrival of virtual reality VoD (as announced by Megogo.net[1]). The boundary between paid and free platforms is becoming increasingly blurred as a combined monetisation model becomes the norm.

  Investment is enabling services to more actively advertise in the media, increasing awareness of VoD brands among the public. The tightening up of anti-piracy legislation in 2014–2015 has

(1) R. Rozhkov, Megogo nadenet masku [Megogo set to put its goggles on]. Kommersant 18.12.2015.

also helped to reinforce the habit of using legal methods to view content.

Operators of Internet VoD services are seeking out new technology platforms, through televisions with smart-TV functions and TV attachments or games consoles; meanwhile, the development of mobile services is facilitating the long-awaited launch of the LTE network. Internet access speeds, including mobile Internet, are constantly becoming faster and the number of connected smart TVs is expanding just as quickly. In 2014–2015, VoD accessibility also improved due to new partner programmes of legal services (the largest ones have hundreds of partner sites, the most important of which are social networks where players with content are placed on an ad basis; some services are becoming accessible to pay-TV subscribers). Finally, content aggregators are appearing on the market, allowing users to search for content available on all legal platforms and then view this content on their own interface, but under the terms of the partner platform (this model is offered by Afisha.Serialy and the revamped Kinopoisk).

It should be noted that the arrival of global VoD players on the Russian market has not led to significant changes: at the end of 2012, iTunes and Google Play launched in Russia; in 2013 Amediateka, the official distributor of content from HBO, and a range of other leading international producers launched in Russia; the international giant Netflix entered the Russian market in January 2016 (Russian audiences are initially being offered a limited content library and an English-language interface). However, it is not expected that the domestic leaders (ivi.ru, Megogo.net, Okko, and Tvigle.ru) will be forced out of their positions by these foreign competitors.

It cannot be said that the second stage had come to an end by the close of 2015: VoD is still growing, and it is doing so faster than other segments of the audiovisual industry. In the future, one can expect to see subscriber services strengthen their position and further growth through mergers and acquisitions.

New equipment and usage

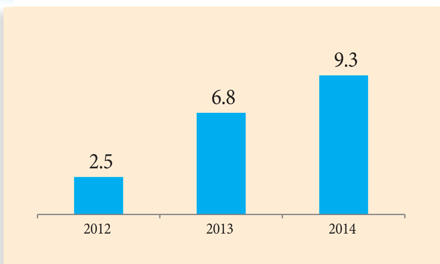
The number of mobile devices which can be used for non-linear viewing is constantly increasing. According to data from Vi, 25% of urban households owned tablet computers in 2014, and 17% of urban-dwellers used tablets on a regular basis (once a week or more). In 2014, 38% of city residents had smart-phones and 31% used them on a regular basis (once a week or more) to access the Internet.

According to figures from iKS-Consulting, total sales of smartphones and mobile phones in 2014 were the highest in history: 43 million devices (of which 26 million were smartphones, 1.5 times more than in 2013). One of the major reasons behind the increasing popularity of smartphones has been the fall in the average cost of a device.

According to estimates by J'son & Partners Consulting, sales of tablet computers in Russia have also increased significantly in recent years: from 2.5 million devices in 2012 to 9.3 million in 2014.

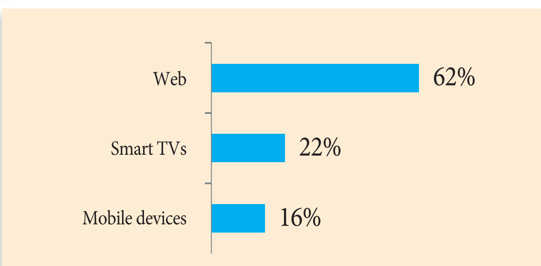
Sales of tablet computers in Russia (millions)

Source: J'son & Partners Consulting

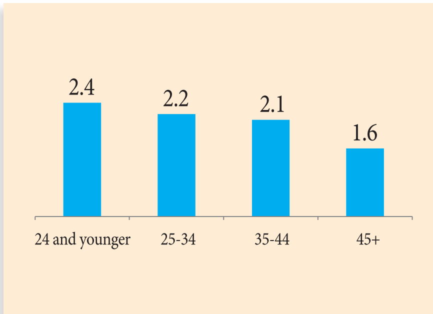


The distribution of newer devices capable of playing video has led to a change in video viewing patterns. An important contemporary trend connected with the new screens is the so-called 'non-linear' consumption of film and television content. This includes watching films via online video services and watching series and TV shows outside of their scheduled times (on websites of TV channels, on independent content aggregators, via services provided by pay-TV operators, etc.). In 2014, Vi focused particularly on this area and estimated the extent of non-linear viewing and the amount of viewing done on different screens (as part of its research project, Television through the Eyes of the Viewer). The results of the survey showed that in 2014, 41% of city residents watched non-linear film and television content on a regular basis (at least once a week). The most popular screens for this type of viewing were desktop computers and laptops: 31% of urban residents used them to watch films and TV on a regular basis. At the same time, 7% of city-dwellers watched films, series, and other television content on a tablet computer, 6% via smart-TV apps, and only 4% on a smartphone. In addition, 15% of city residents regularly watched films, series, and programmes downloaded from the Internet on their television screens. Of the total volume of non-linear television content consumed, Vi estimated that around 65% was accounted for by online streaming.

Online video audiences by device, | First half of 2015
Source: iKS-Consulting



User age and number of devices used to view video content | Russian cities, 2013
Source: iKS-Consulting



According to figures by iKS-Consulting from mid-2015, the number of people using online video apps on mobile devices and smart TVs has increased significantly. This results from the increased saturation of Internet-connected devices and increased Internet access speeds (particularly mobile), making it possible to watch video online, as well as from the increased number of online video apps for mobile devices and smart TVs.

The habit of watching content on multiple screens is also becoming more established: according to iKS-Consulting data, a resident of a major Russian city uses on average 2.4 devices, all of which are capable of playing television and video content: television sets, computers (desktop, tablet, or laptop), and smartphones. This indicator varies significantly, depending on the user's age. In response to such demand, more and more VoD services offer their subscribers the opportunity to connect up to five devices to one account, as well as the function of continuing to view content on any of them (by the end of 2015, this was being offered by Amediateka, Megogo.net, MTS TV, Okko, and Viaplay).

VoD services available

According to an analysis of the European Audiovisual Observatory's updated MAVISE database, by the end of 2015 there were more than 40 VoD services available in Russia, specialising in professional feature-film and television content (this does not include catch-up versions of TV channels, news portals, and specialist children's services such as deti.ivi.ru, Internet music channels, and network versions of popular television programmes such as Dom-2 and KVN, or sites exclusively featuring user-generated content (UGC) and unlicensed content).

Most VoD services in Russia reach viewers via the Internet. Only one service uses a satellite channel (Kinodrom from NTV Plus), and five are provided by cable television operators using IPTV or cable (the service with a one-way connection from Akado). Meanwhile, the vast majority of Internet services have mobile apps (for smartphones and tablets) and are trying harder and harder to enter the smart-TV market.

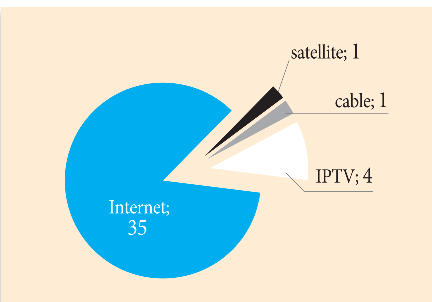
Today, the main technology for providing content is streaming. It is used exclusively by 29 services (including operators with one-way connections over cable or satellite who give users access to the broadcasting channel). Ten services offer both downloading and streaming. Two services only offer film downloads (for sale and rental) direct to the user's device, namely the international brands Google Play and iTunes.

Content available to the viewer is mainly feature films and services which offer a wide range of genres (including series and television programmes). Four of these services broadcast primarily archive films (including those from the public domain). These are some of the pioneers of the Russian VoD market, which operate on an ad-based model. Channel One's new Kino1TV service offers exclusively series. This is also the main type of content offered by Amediateka, which supplies productions by the US channel HBO to the Russian market. In addition to the anime service Anime myvi, children's services include the deti.ivi.ru app (no individual data is given for this service in this report). Meanwhile, Stream Detyam, a pioneer in the children's sector, ceased to exist in 2015 after merging with parent service MTS TV.

In addition to increasing the number of platforms on which viewers can access VoD services and expanding content catalogues, quality is also being improved: 20 services now have extensive HD catalogues and three of these also offer 3D content.

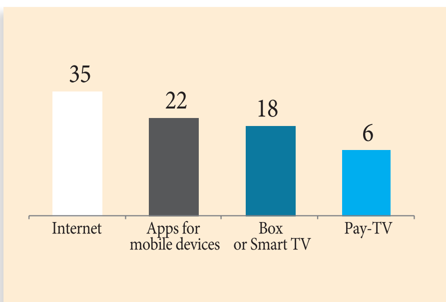
Video-on-demand services available in Russia, by channel | End of 2015

Source: MAVISE database



Accessibility of video-on-demand services via user interfaces in Russia | End of 2015

Source: MAVISE database

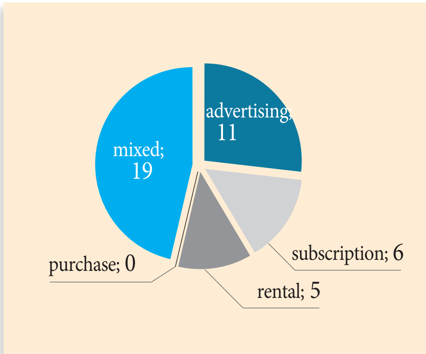


For the vast majority of services available within Russia, it is the Russian user that is the target audience. Many of these platforms also offer legal content outside Russia (in the countries of the CIS and the Baltic region). Some services with connections to TV channels and which have a large proportion of Russian content are also available in other countries of the world. Their international catalogues are often smaller than their domestic ones. The main language of services is Russian (39 out of 41), while only six of the VoD services studied have versions in other languages (English or the languages of the countries of the CIS and the Baltic region, and Georgian).

The Russian market is dominated by services that use an ad-based business model: 11 use this method alone for monetisation; another 10 combine it with other methods; six offer subscription only; and five offer exclusively rental services. It is interesting to note that not a single VoD service offers content exclusively for sale (this is always offered together with a rental option). At the same time, there has been an active increase in the use of various combined means of monetisation for one and the same service. The most popular combinations are those which offer content for rental and purchase, along with the ad-based model and pay-per-view services, or those which combine all four business models (advertising, subscription, rental, and purchase).

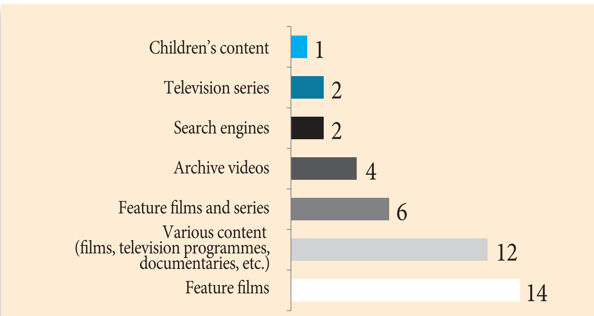
Video-on-demand services available in Russia, by monetisation method | End of 2015

Source: MAVISE database



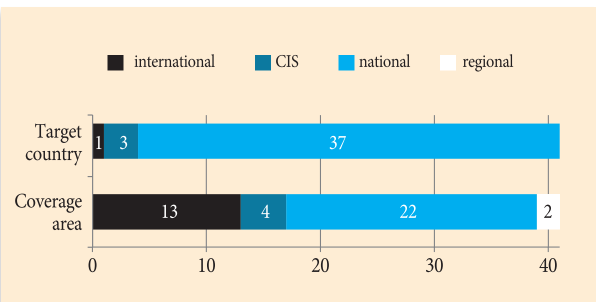
Categories of video-on-demand services in Russia | End of 2015 (not including special children's apps)

Source: MAVISE database



Video-on-demand services available in Russia, by coverage area and target territory | End of 2015

Source: MAVISE database



VoD audience

iKS-Consulting calculates the number of video views for the largest VoD services as part of a comprehensive analysis of the market, using data from the companies themselves, the results of surveys conducted by market experts (Vi, TNS, GFK, AdFox) and smart-TV equipment vendors, specialist statistics tools (Google Analytics, SimilarWeb, Alexa, SPARK, app store statistics, and others), generally accepted measurements relating to online video (TNS and ComScore statistics), surveys conducted by other companies (GfK's Omnibus), press releases, and other publically available information. Data on the commercial activities of VoD service providers was requested from all the key market players. Where there was no information from a provider, iKS-Consulting completed its own expert analysis of commercial activity indicators, based on data from statistical tools, overall market indicators, and the opinions of market experts, including competitors.

According to this analysis, the leader in terms of user numbers is ivi.ru (around 38 million viewers); this service receives up to 200,000 views per month, on average (using the ad-based, subscription, and transactional models), which is ten times more than its closest competitors. Meanwhile, Okko, which bases its business on paid services, takes the lead in terms of revenue, with earnings of RUB 630 million in the first half of 2015.

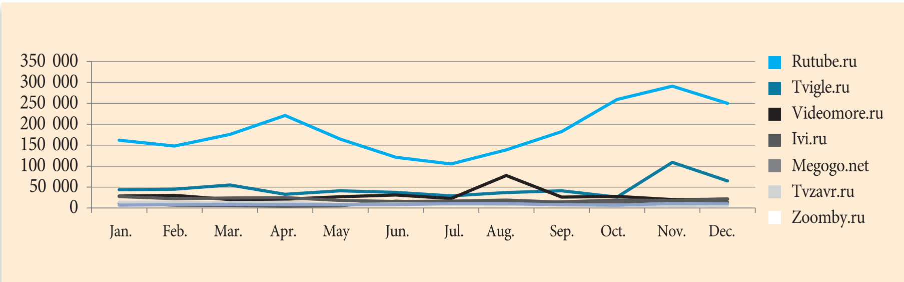
In its evaluation, J'son & Partners Consulting uses its own database, official reports, financial documents, and investor reports produced by market players, thematic press publications, company press releases, data from industry associations and research companies, expert network surveys, and its own market models. The study is limited in that it reflects the situation in Russian cities with a population of 100,000 or more, and covers those aged 12 to 64; moreover, its viewing statistics reflect the number of video player launches on an online video site from desktop computers only: content viewed via smartphone, tablet, or smart-TV apps is not recorded.

The researchers highlight data for the Rutube.ru service separately, even though it mainly offers UGC. Of the OTT services researched, the leader in terms of numbers of views on desktop computers is Tvigle.ru, which operates an exclusively free service. Videomore.ru and ivi.ru, which combine advertising and paid access to

Major players on the OTT services market (number of viewers, views, revenue) | First half of 2015
Source: iKS-Consulting, company data

Service	Main (auxiliary) business model	Users (millions)	Views per month (thousands)	Revenue, RUB millions
ivi.ru	advertising (subscription, rental, purchase)	37.8	200.0	522
Zoomby.ru	advertising	17.0	22.0	104
Megogo.net	advertising (subscription, rental, purchase)	14.3	21.0	248
Tvigle.ru	advertising (rental – only on devices)	11.4	16.9	187
Videomore.ru	advertising (subscription for viewing without advertising)	7.7	12.0	157
Okko	rental, purchase (subscription)	2.7	3.5	629
Now.ru	rental (subscription, advertising)	2.4	4.0	198

Online video views, | 2014 (thousands)
Source: J'son & Partners Consulting



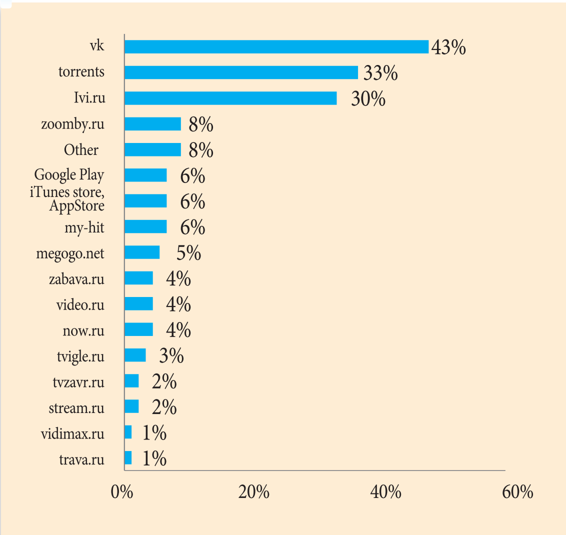
content on computers, are 1.5 to 2.5 times less popular. J'son & Partners Consulting provide the following commentary on their statistics for 2014:

- the number of video views on desktop computers via ivi.ru and Tvzavr.ru decreased as a result of the gradual transition of viewers to mobile devices and smart TV;
- RuTube's rise in popularity as a video resource was due to the increased amount of legal, professional content on the site. Entertainment content is gaining additional views, especially TNT's shows and series;
- at the beginning of 2014, Megogo began to develop a partner network, and made it possible to set up a player on third-party sites, leading to an improvement in its viewing figures;
- the trend in video views for the Videomore.ru service is dependent on the behaviour of the CTC channel audience: in the summer, viewers tend to watch less television and spend more time on the Internet;

Online video views on desktop computers| 2014, millions
Source: J'son & Partners Consulting

Services	January	February	March	April	May	June	July	August	September	October	November	December	Total
Rutube.ru	161.8	148.0	176.0	221.2	164.7	121.2	105.4	139.0	182.6	259.6	291.4	250.3	2221.3
Tvigle.ru	43.7	44.7	54.6	32.5	40.8	37.4	28.8	37.0	41.1	26.0	109.2	64.6	560.5
Videomore.ru	28.4	30.1	20.2	20.9	26.7	31.0	22.7	77.5	25.7	27.6	19.9	20.7	351.3
ivi.ru	27.3	22.1	23.9	24.5	17.9	15.4	16.3	18.6	13.5	13.6	18.1	13.9	225.1
Megogo.net	11.8	6.6	6.2	3.9	5.5	16.2	10.7	12.4	14.4	18.8	17.9	21.8	146.3
Tvzavr.ru	13.7	13.8	12.4	13.7	8.2	9.3	9.1	8.5	7.8	6.8	6.2	6.1	115.5
Zoomby.ru	6.6	7.7	8.8	8.3	7.9	7.9	10.2	10.4	7.4	6.4	10.6	9.7	101.9

Ranking of Internet sources for film content in Russia | 2013
Source: Nevafilm Research

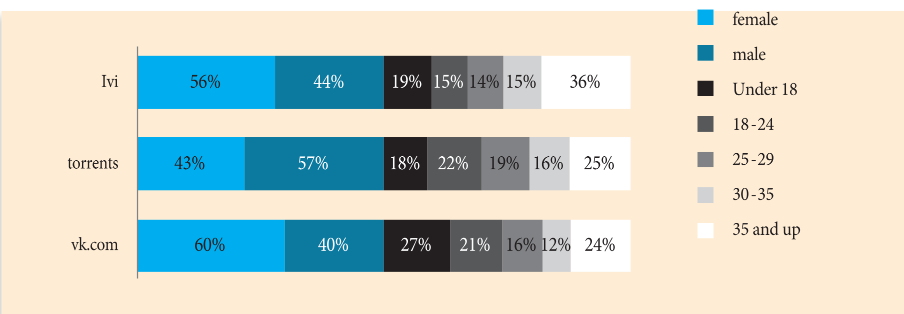


- in November 2014, Tvigle.ru expanded its content library, which caused an upsurge in interest on the part of the site's viewers.

Throughout 2013, Nevafilm conducted long-term tracking research of film viewership for the purpose of identifying trends in viewer preferences and film viewing practices. The results of this survey also revealed the most popular Internet resources used for watching films, which included the vk.com social network; a legal service operating on an advertising model ivi.ru; and torrent trackers.

It was found that women most often use ivi.ru and vk.com, while men favour torrent trackers. Ivi.com has an older audience while vk.com, on the contrary, has a high proportion of teenage users.

Russian-language audiences of the most popular Internet sources for film content (breakdown by gender and age) | 2013
Source: Nevafilm Research



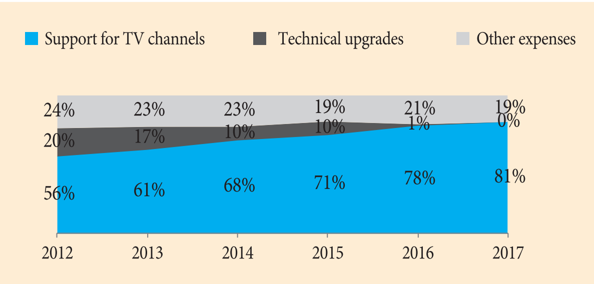
SOURCES OF INDUSTRY FINANCING

State subsidies

The financing of television and radio broadcasting from the federal budget of the Russian Federation has traditionally played an important role, and in recent years Rospechat has spent proportionally more to support TV channels, while expenditure on infrastructure development (particularly digital terrestrial TV) has been rapidly decreasing.

Breakdown of Rospechat budgetary allocations by category

Source: Rospechat reports 2012-2014, Ministry of Finance budget breakdown for 2015 and planned breakdown for 2016 and 2017 (as of 01.12.15)



The main beneficiaries of federal subsidies are VGTRK and the Russia Today network, as well as the channels in the first multiplex (RTRS-1), whose digital broadcasting expenses are being compensated by the state. The autonomous non-commercial organisation Sports Broadcasting receives subsidies to acquire the rights to broadcast major sporting events, as well as to organise international broadcasts of such events from Russia (the Sochi Winter Olympics 2014, the Football World Cup 2018). Russian Public Television (OTR) also receives state financing. In 2015, for the first time, RUB 3.5 billion were allocated to Channel One to produce and purchase content.

As part of target programmes and contests, support is also given to the production of individual TV programmes on channels run on the basis of various forms of ownership and with different access conditions and methods of distribution.

Rospechat budgetary allocations (RUB millions)

Sources: Rospechat reports (2012–2014), Ministry of Finance budget breakdown for 2015 and planned breakdown for 2016 and 2017 (as of 01.12.2015)

Item	2012	2013	2014	2015	2016	2017
VGTRK operations (production, content, and broadcasting)	19,140.2	22,870.2	22,047.9	23,265.8	17,070.7	18,718.0
VGTRK (digital programme production)	2042.5	3208.4	3907.1	880.0	1146.6	0.0
TV-Novosti (Russia Today)	11,011.5	12,587.3	13,271.6	20,846.2	15,274.0	16,729.0
Channel One (production and content)	0.0	0.0	0.0	3500.0	0.0	0.0
Sports broadcasting	3494.2	1948.0	1685.6	0.0	0.0	1147.5
Russian Public Television (OTR)	1550.0	0.0	1425.0	1425.7	1399.3	1427.8
RTRS-1 broadcasting (Channel One, NTV, Peterburg - 5 kanal, Karusel, TV Centre)	5042.0	5469.1	6109.4	6497.3	13,546.4	14,534.3
Federal Target Programme for the Development of Television and Radio Broadcasting in the Russian Federation 2009–2015	14,234.0	11,836.3	6364.6	6587.0	0.0	0.0
Ostankino TV Centre (technical upgrades)	1068.0	708.0	672.6	1120.9	624.7	0.0
Rospechat total	**75,548.0**	**75,853.7**	**71,763.5**	**79,103.3**	**62,035.8**	**65,180.0**

National TV channel reporting

Among the major national TV channels in Russia, NTV, TNT, Peterburg - 5 kanal, and TV Centre publish public reports on their business. Data on Channel One is available in the press, as is information on the operations of the largest state media holding, VGTRK, albeit as a combined report on all the television and radio companies that are part of it. The situation is similar for other holdings: except for those mentioned above, there is no information on individual channels belonging to CTC Media (CTC, Domashniy, Che, CTC International, and Kazakhstan's Channel 31), National Media Group (Peterburg - 5 kanal, REN TV, Channel One, and Media Alliance, a joint venture with Discovery), and ProfMedia (which joined Gazprom Media in 2014 and since then information on Pyatnitsa!, TV3, and 2x2 has no longer been made available).

According to available data, between 2013 and 2014 the financial standing of most of the leading TV channels or the companies owning them deteriorated. At the same time, the business results of individual players can be explained by more than just the economic situation in Russia. For example, the loss made by CTC Media was due to the fact that its shares were traded on the New York Stock Exchange and their value is affected by the rouble exchange rate, as well as by changes to Russian media legislation (for more details see section Legal framework). Gazprom Media ended 2014 with losses due to its acquisition of new assets (Red Media and ProfMedia). Meanwhile, TNT, Peterburg - 5 kanal, and Channel One all managed to increase their revenue and profits in 2014.

Revenue and profits of major terrestrial TV channels and media holdings (RUB millions)

Source: Nevafilm Research – based on data from company balance sheets, financial statements and auditors' reports published in the press [1]

Channel / holding	2012		2013		2014	
	revenue	profit	revenue	profit	revenue	profit
Channel One	29,080.0	287.7	29,555.0	-1033.8	30,105.0	-938.4
VGTRK	31,100.0	293.4	31,213.3	29.0	31,900.0	-2800.0
NTV	22,135.3	4542.1	23,149.8	4981.9	20,287.3	3790.1
TNT	13,390.7	4925.6	15,628.1	3708.6	16,889.2	4868.0
CTC Media	25,028.2	4459.7	26,506.0	3309.1	27,250.0	-7999.9
National Media Group	12,073.0	749.5	14,729.0	1499.0	n/a	n/a
Peterburg - 5 kanal	3849.6	578.0	5671.4	1234.5	6479.1	1278.2
TV Centre	2700.1	2.1	3124.3	207.5	2974.4	71.3
ProfMedia channels	7074.0	38.0	n/a	n/a	n/a	n/a
ProfMedia	15,972.0	-1125.0	17,300.0	n/a	n/a	n/a
Gazprom Media	52,276.0	7,840.0	56,161.0	8,630.0	72,027.0	-2,094.0

(7) S. Sobolev, ProfMedia zaniala do Piatnitsy [ProfMedia taken till Pyatnitsa!]. Kommersant, 16.05.2013.

K. Boletskaya, 'Profmedia' snova obognala rynok [ProfMedia outstrips market again]. Vedomosti, 14.03.2014.

Chistaia pribyl' 'Natsional'noi Media Gruppy' v 2013 g. uvelichilas' v 2 raza [National Media Group's net profit for 2013 doubles]. RBC, 20.05.2014.

NTV obognal Pervyi kanal po rostu vyruchki [NTV overtakes Channel One in revenue growth]. Interfax, 03.07.2014.

Vyruchka VGTRK po itogam 2013 goda okazalas' vyshe, chem u 'Pervogo kanala' [VGTRK revenue for 2013 higher than Channel One's]. Vedomosti, 17.07.2014.

K. Boletskaya, Ubytochnymi stali vse tri krupneishie telekompanii v Rossii [Russia's three major television companies all making losses]. Vedomosti, 14.07.2015.

Television and Internet advertising

According to data from the Russian Association of Communication Agencies (AKAR), since 2014, the volume of TV advertising increased by 2.3% (approximately the same growth rate was recorded for terrestrial, cable, and satellite channels). Although market growth was positive, the rate of that growth slowed down significantly. In 2012–2013, advertising revenues of terrestrial television were growing at a rate of 9% per year, and growth was even greater for pay-TV channels (53% in 2012 and 21% in 2013).

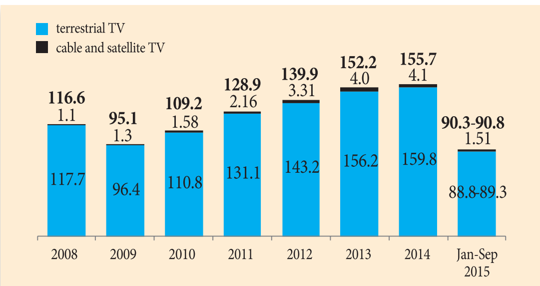
However, by the end of the third quarter of 2015 (at the time of writing, AKAR had not yet released its final results for the year) a slump in the market was noted, one similar to that caused by the global financial crisis in 2009 with a fall of 19%. At the same time, the amendments to advertising legislation came into force in January 2015, prohibiting advertising on pay-TV channels. Despite subsequent relaxations to the law in February (for more details see section Legal framework), the volume of the market for cable and satellite TV advertising plummeted by 46%.

The advertising business model remains the most popular for VoD services in Russia although, according to data from iKS-Consulting, the structure of the Russian VoD market is changing in line with the deteriorating economic situation. At the end of the first half of 2014, user payments accounted for 27% of VoD revenues, while in the first half of 2015, such payments accounted for 35%, due to the slump in the advertising market. Nevertheless, the advertising business model continues to dominate and makes up 65% of the revenues of Russian VoD services. The volume of the Internet segment of the advertising market is therefore vital to the industry.

Internet advertising remains the fastest growing market segment, although there has been a notable deceleration here, just as it happened during the crisis year of 2009. In 2010–2011, volumes grew by 60%, whereas in 2012–2013 they grew by 30%, in 2014 by just 18%, and for the first three quarters of 2015 by a mere 12%. Even this growth is exclusively attributable to contextual advertising, while the volume of video clips has fallen for the second year in a row (by 5% to 6%). These processes provide an additional impetus to Russian VoD operators to develop combined business models which include subscription and transactional access to content.

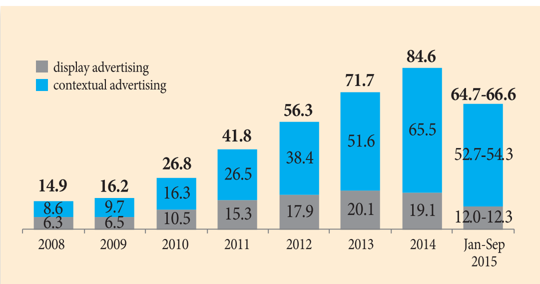
Volume of TV advertising market in Russia (RUB billions)

Source: AKAR



Volume of Internet advertising market in Russia (RUB billions)

Source: AKAR

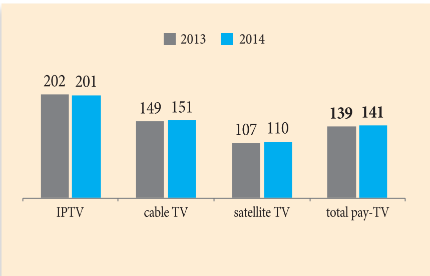


User payments

According to data from iKS-Consulting, in 2013–2014 the average monthly revenue per pay-TV user (ARPU) in Russia was around RUB 140; it was lowest in the satellite TV segment (around RUB 110) and highest in the IPTV segment (over RUB 200).

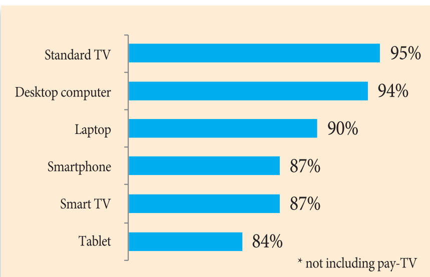
ARPU (RUB), excluding VAT

Source: iKS-Consulting



Do you use paid video-content services? Negative response | Russian cities, 2013*

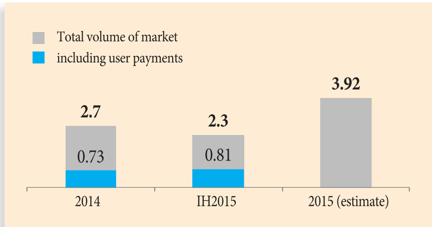
Source: iKS-Consulting



As for paid video content, according to a survey of urban households conducted by iKS-Consulting in October 2013, only 4% of Russians used paid video-content services outside of pay TV. The least likely to pay for videos were those who watched them on television or desktop computers, while the most likely to pay were tablet computer users.

Russian online video market revenues (RUB billions)

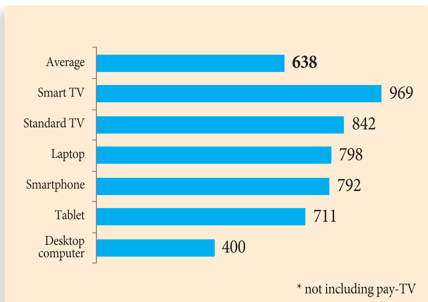
Source: iKS-Consulting



Despite the fact that the proportion of those surveyed who used paid services was negligible, consumption was relatively large in monetary terms, in comparison to the returns (ARPU) from pay-TV subscriptions. In October 2013, among those surveyed with experience in purchasing video content, average monthly expenditure amounted to RUB 638. The largest volumes of monthly spending were recorded in the smart-TV category.

Monthly spending on video-content services by those giving a positive response, RUB | Russian cities, 2013*

Source: iKS-Consulting



According to estimates by iKS-Consulting, total revenues from the Russian online video market in 2014 reached RUB 2.7 billion, RUB 0.73 billion of which came from user payments. For the first half of 2015, users' direct spending on online video was as much as RUB 0.81 billion.

LEGAL FRAMEWORK

The main regulator of non-material distribution of audiovisual content, including TV and VoD, in Russia is the Ministry of Communications and Mass Media, as well as the services and offices under its authority. The key regulators include:

- Roskomnadzor, which monitors media compliance with the law, issues television broadcast licences (terrestrial, cable, and satellite), and keeps a register of licences to conduct television and radio broadcast activities, as well as a list of names of registered media outlets;
- Rospechat, which manages state media outlets (VGTRK, RIA Novosti) and state technology centres (the Ostankino Technical and Commercial Centre; the Russian Television and Radio Broadcasting Network, RTRS);
- Russia's main centre for radio frequencies (the State Commission on Radio Frequencies, SCRF), which issues licences for the use of broadcasting frequencies;
- The Federal Communications Agency (Rossvyaz), which manages state property and provides state services in the electronic communications sector, including in the creation, development, and use of communications networks, satellite communication systems, and television and radio broadcasting systems.

The core laws governing TV and VoD are:

- Russian Law No. 2124-1 'On Mass Media', dated 27 December 1991, which establishes the legal bases for the search for, acquisition of, production of, and distribution of information; the founding of mass media outlets and their ownership, use, and disposition; and the production, acquisition, storage, and use of technical devices, equipment, and raw and finished materials intended for the production and distribution of mass media products (which are understood as print, audiovisual, and other messages and materials intended for an unlimited audience).

The limitation on the share of foreign capital investment in Russian media organisations introduced by law No. 305-FZ dated 14 October 2014 is currently having a significant effect on the television industry: since 1 January 2016, foreign stakes in Russian media outlets can be no more than 20%.

Immediately following the adoption of this law, CTC Media, Russia's largest media holding trading on the NASDAQ, lost more than 22% of its capitalisation, as one of the holding's main shareholders had been Sweden's MTG Group; a large block of shares belonged to Cyprus' Telcrest, owned by Yury Kovalchuk and his partners; and 36% of the shares were in free circulation and largely held by foreign funds. In December 2015, shareholders approved the sale of a 75% stake in American CTC Media to the UTH group, and in January 2016 the second stage in this deal will go ahead when CTC Media buys back its shares from the MTG Group and minority stakeholders.[1]

UTH itself, which includes the Disney Channel (49% owned by America's Walt Disney Co.), has encountered similar problems. By October 2015, it had become clear that New Media Holding would become the parent company for the channels belonging to Alisher Usmanov and Ivan Tavrin. It would acquire the terrestrial TV channels Yu and Disney, which had been extricated from off-shore companies, as well as the cable channel MUZ TV, and later, CTC

(1) K. Boletskaya, Aktsioneri CTC odobrili prodazhu [CTC shareholders approve sale]. Vedomosti, 18.12.2015.

Media's assets. Hence, Usmanov's share in this business will increase to 60%.[1]

Similar processes are underway in the non-terrestrial channels market. In July 2015, the Fox family of channels (National Geographic, Nat Geo Wild, Fox, Baby TV, Fox Life) adapted to the new law: they are now part of the Russian Telco Media group, the official distributor for Fox.[2] By August the same year, Discovery Communications had secured the continued presence of its channels (Discovery Channel, Animal Planet, Eurosport, TLC, DTX, Discovery Science, Discovery Investigation, ID Xtra) following the establishment of a joint venture, Media Alliance, in which National Media Group holds an 80% stake.[3] In autumn 2015, it was announced that Viktor Vekselberg's Renova was negotiating with the US company Viacom (owner of the Nickelodeon, Paramount Comedy, and MTV channels) to purchase the Russian branch of its business.[4] As a result, the business was purchased in December by Renova director Maxim Mayorets.[5] By December, Media Alliance had also acquired channels from America's Turner Broadcasting Systems (CNN, Cartoon Network, Boomerang).[6] It is worth noting that regional and corporate media outlets were also faced with this problem: Tolyatti's VAZ TV, owned by AvtoVAZ (whose majority shareholder is France's Renault) sold an 80% stake to the Samara state television company Guberniya.[7]

- Federal Law No. 126-FZ 'On Communications', dated 7 July 2003, establishes the legal foundations for communications activities within the Russian Federation, and defines state communications agencies' spheres of authority, as well as the rights and responsibilities of those participating in these activities or using communications services.

  Amendments to this law came into effect on 24 July 2015. They were intended to introduce an order to the line-up of the first and second digital broadcast multiplexes when broadcasting, using non-terrestrial methods (cable, satellite, IPTV, OTT, mobile TV, and so on). Publicly available television channels were now to appear in the following order: Channel One, Rossiya 1, Match TV, NTV, Peterburg - 5 kanal, Rossiya K, Rossiya 24, Karusel, OTR, TV Centre, REN TV, Spas, CTC, Domashniy, TV-3, Pyatnitsa!, Zvezda, Mir, TNT, and MUZ TV. These changes caused confusion among television viewers who lost TV channels tuned as before. In response, the TV channels broadcast explanatory ads, which helped ease the transition to the new system. Terrestrial broadcast viewers had no problems, as their TV settings did not change for these channels.
- Federal Law No. 38-FZ 'On Advertising', dated 13 March 2006, applies to activities in the advertising industry regardless of where an advertisement was produced, if the

(1) S. Sobolev, Novyi kholding Usmanova [Usmanov's new holding]. RBC Daily, 01.10.2015.
(2) S. Sobolev, Telekanal National Geographic nashel rossiiskogo uchreditelia [National Geographic channel finds Russian promoter]. RBC Daily, 04.08.2015.
(3) S. Sobolev, Discovery est' chto teriat [Discovery has much to lose]. RBC Daily, 08.09.2015.
(4) S. Sobolev, S. Reyter, Milliarder Veksel'berg reshil stat' sovladel'tsem 12 telekanalov [Billionaire Vekselberg decides to take on part ownership of 12 TV channels]. RBC Daily, 17.09.2015
(5) E. Surganova, Yu. Yarosh, Telekanaly dlia top-menedzhera [TV channels for senior manager]. RBC Daily, 20.12.2015.
(6) K. Boletskaya, CNN s russkim aktsentom [CNN with a Russian accent]. Vedomosti, 24.12.2015.
(7) K. Boletskaya, V. Shtanov, VAZ TV stanet gosudarstvennym [VAZ-TV becomes state-owned]. Vedomosti, 17.12.2015.

advertisement is distributed within the Russian Federation.

In the text of this law, a 'national channel' was defined as one that is broadcast in more than five of Russia's federal districts. This definition was necessary due to the fact that from 2010 to mid-2014 (in accordance with laws No. 354-FZ dated 27 December 2009 and No. 264-FZ dated 21 July 2014), those channels were prohibited from signing contracts for advertisement distribution services with parties holding a dominant position in the sphere of TV advertising distribution (i.e., advertising agencies whose national or regional distribution share exceeded 35%). The Federal Antimonopoly Service was responsible for enforcing compliance with this regulation. While this law was in force, there was a significant change in ownership structure in the television market, both in the media holdings that owned the channels and in the organisations that sold them advertising. Abolishing restrictions on single vendors in the advertising market should have led to the creation of a single 'megavendor' controlling practically the entire market. However, this did not happen for several reasons. At present, there are three major players in the TV advertising market: Vi (with approximately a 53% market share in monetary terms for the first nine months of 2015), Gazprom Media (25%), and EvereST-S (15%).

Another amendment to the law on advertising, this one introduced through law No. 270-FZ dated 21 July 2014, turned out to be more painful for the Russian market. In accordance with this law, as of 1 January 2015, all non-terrestrial pay-TV channels were legally prohibited from advertising on their networks. However, this regulation did not last long, and just a month after it came into force the State Duma relaxed its terms: in accordance with law No. 5-FZ dated 3 February 2015, advertising is permitted on channels showing at least 75% domestic content. This means programmes in Russian or other minority languages of the Russian Federation, or in a foreign language (if the product is intended for a Russian TV channel), produced by citizens of the Russian Federation and/or organisations with the appropriate registration in the Russian Federation and/or made to order for a Russian channel, provided that investments in the production are no less than 50% Russian. Programmes developed under international agreements are also deemed to be domestic productions, but the translation, dubbing, and subtitling of foreign TV channels' products are not. The Federal Antimonopoly Service is responsible for enforcing compliance with this regulation.

- Part IV of the Civil Code of the Russian Federation (confirmed by Federal Law No. 230-FZ dated 18 December 2006) lays out the foundation for copyright law.

  Important changes to the Code (and to several other laws) were made in the so-called 'Anti-Piracy Law' (No. 187-FZ dated 2 July 2013). In accordance with this law, the Code defines the responsibilities of the information intermediary, the communications services provider that may restrict access to sites that violate copyright law (initially only with regard to audiovisual productions). Moreover, rights holders now have recourse to a single body for the resolution of disputes related to the violation of copyright law on the Internet: the Moscow City Court, which may hand down a decision requiring sites in violation of the law to delete unlicensed content within three days or be subject to blocking.

On 1 May 2015, more amendments, which were confirmed in the new version of the 'Anti-Piracy Law' (No. 364-FZ dated 24 November 2014), came into force. These require sites to provide full contact information on their webpages, and make it possible to settle issues concerning the deletion of unlicensed content on the Internet at the request of the rights holder before they reach the courts. Should the party in violation fail to respond to the request, the amendments also allow access to the illegal content, or even to the entire site, to be blocked. In addition, if the Moscow City Court finds a site to be in violation of copyright law twice with regard to the same rights holder, the site may be blocked in perpetuity. The new rules cover not only films, but all copyright and related rights except those connected to photographs.

- The Federal Target Programme for the Development of Television and Radio Broadcasting in the Russian Federation 2009–2018 (confirmed by Russian Government Decree No. 1349-R dated 21 September 2009 and signed by the President on 7 December 2009) determined the makeup of the first multiplex (10 free national TV channels), with the second multiplex determined in 2012–2013. These are referred to in the terminology of the Federal Target Programme as RTRS-1 and RTRS-2. Both were supposed to be in operation throughout Russia in 2015. The broadcasts of the first multiplex are financed by the government; participants in the second multiplex must finance their own digital broadcasting. Initially, the transition to digital terrestrial TV was intended to be completed by 2015. However, it became clear by the summer of 2014 that the deadlines would not be met, and the shutdown of analogue stations was postponed until the end of 2018. In August 2015, the Federal Programme was renamed to reflect this (the previous name had been 'The Development of Television and Radio Broadcasting in the Russian Federation 2009–2015').
- Federal Law No. 149-FZ 'On Information, Information Technologies, and Data Protection', dated 27 July 2006, regulates the relationships that arise when exercising rights to search for, receive, transfer, produce, and distribute information, and when using information technologies and ensuring the protection of information. The provisions of this law do not, however, apply to relationships that arise when protecting intellectual property rights; these are regulated by the Civil Code.

  The amendments to this law, introduced by the so-called 'Law on Bloggers' (No. 97-FZ dated 5 May 2014), have been in effect in Russia since 1 August 2014. Owners of popular websites (those with more than 3,000 visitors per 24-hour period), social network pages (bloggers), and other Internet resources must now be registered with Roskomnadzor. After registering, the

Internet resource is bound by the same requirements as the media: the owner must indicate his surname and initials on the website, as well as his email address; the owner must ensure compliance with the laws of the Russian Federation (incitements to terrorism may not be posted; state secrets may not be revealed; election laws may not be violated; and any information, including the personal data of other users and commentators, must be retained for six months and provided to law enforcement agencies at their request, etc.); and the owner of the resource is also liable for the comments posted by users. The law defines bloggers' liability for the violation of these rules, but also gives them media rights. As of December 2015, more than 1,000 bloggers were registered with Roskomnadzor [1].

- The relatively recent Federal Law No. 436-FZ 'On Protecting Children from Information Harmful to Their Health and Development', dated 29 December 2010, has already been revised four times. According to amendments approved on 28 July 2012 in Federal Law No. 139-FZ, which entered into force on 1 September 2012, all information products, including TV shows, must be given age classifications (0+, 6+, 12+, 16+, and 18+), and must be marked with their classifications when shown to end viewers. Currently, the Russian State Duma is discussing the next set of amendments to the law. These would tighten control over children's access to information not intended for them (rated 18+), and establish recommended indicators for the remaining information products. This is, however, largely aimed at films and children's access to cinemas.
- Federal Law No. 152-FZ 'On Personal Data', dated 27 July 2006, regulates activities connected with the processing of personal data by government agencies, legal entities, and individuals.

  Russia's Internet environment was affected by this law due to the amendments adopted by law No. 242-FZ dated 21 July 2014. These state that from 1 September 2015, all email services and social networks must store personal data on Russian users exclusively on servers in Russia. Personal data includes email addresses, personal correspondence, etc. This law has provoked mixed reactions: a concern that foreign social networks, online stores, cloud services, and reservation systems will not be able to operate in Russia has been expressed. Facebook, the world's largest social network, has so far refused to locate servers in Russia on the basis that it is not economically feasible. As modern Internet-based VoD services also collect detailed user information, this law also affects them directly. Websites of companies not complying with the Roskomnadzor law will be put on the register of violators of personal data rights. If the agency discovers violations during an audit, it will issue the company instructions requiring that it resolve the violations within a period of up to six months. Should the company fail to do so, it will face a fine of up to RUB 20,000 for legal entities.

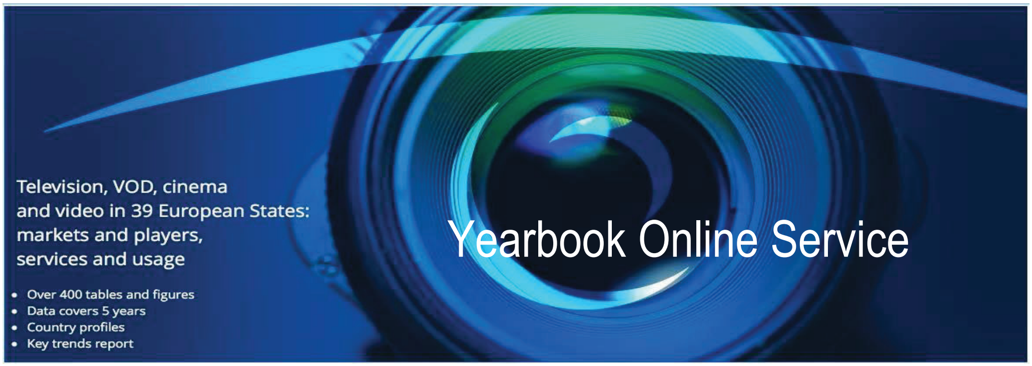
(1) See: http://reestr.rublacklist.net/blogers/.

ANNEX

This report presents general data on Russia's television industry drawn from research conducted at the request of the European Audiovisual Observatory (EAO) by J'son & Partners Consulting (2011) and KVG Research (2013), and data on the Russian film industry (as it pertains to analysis of the VoD and TV market) from research carried out by Nevafilm in cooperation with Groteck and iKS-Consulting (2010, 2012, 2014). Data from reports titled 'The Russian Pay-TV Market, 2014–2019' (iKS-Consulting), 'The Development of Digital Terrestrial Television in Russia, 2015–2020' (J'son & Partners Consulting), and 'Atlas of the Pay-TV Market in Russia, 2012–2019' (J'son & Partners Consulting) were also used to describe the situation in 2014–2015. For the purposes of this study, the EAO also commissioned iKS-Consulting and J'son & Partners Consulting to prepare special reviews of the distribution and sales volumes of video viewing devices, evaluations of Russian video viewing patterns, and statistics on content views via the Russian Internet's major online video services. In addition, with the goal of obtaining a more objective assessment, data from the analytical centre Vi on the 2014 TV market were used, as were evaluations of film viewing methods in Russia in 2013, based on Nevafilm Research surveys. Assessments of identical parameters carried out by different researchers are presented side by side in order to provide the reader with the most complete possible picture of the market. Data on the amount of financing received by the industry is based on figures received from the Russian Association of Communications Agencies (AKAR), reporting provided by the TV channels themselves, and articles of the Federal Budget of the Russian Federation. In order to reflect market events in 2014–2015, press monitoring was conducted that not only documents changes in legislation and in the identity of market players, but also the effect of these events on the industry as a whole.

A key element fundamental to the description of the players on the Russian TV and VoD market was the update to MAVISE, the EAO's database on television and audiovisual services and companies in Europe, conducted by specialists from Nevafilm Research. In order to create a full list of TV channels and VoD services accessible and/or located within Russia, the following sources were used: Roskomnadzor's registered licence database; products and services offered by the major pay-TV operators; World Content Market's industry market catalogues; the catalogue of TV channels provided by Kabelshchik, a site for pay-TV professionals; the VoD services database created during research for the EAO in 2010–2014; press publications; official TV channel and VoD service websites; and other publicly available materials.

This research does not attempt to reflect all aspects of the TV and VoD market in the country, but to provide a short summary of the current state of the art.



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Publication Schedule

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