



OBSERVATOIRE EUROPÉEN DE L'AUDIOVISUEL
EUROPEAN AUDIOVISUAL OBSERVATORY
EUROPÄISCHE AUDIOVISUELLE INFORMATIONSTELLE

TV Market and Video on Demand in the Russian Federation

December 2013

A report for the
European Audiovisual Observatory
by KVG Research



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Executive Summary

This report produced by KVG Research was commissioned by the European Audiovisual Observatory (Council of Europe, Strasbourg). Its main objective is to analyze the origin of the content broadcast by the main Russian TV channels.

The importance of the federal channels

The dominance of terrestrial channels has always been one of the main characteristics of Russian television. Due to the federal broadcasting system being founded and supplied by the state, the leading channels are able to be broadcast all over the country. In total in 2012, according to the data of the Federal Antimonopoly Service, there existed 21 federal TV channels. These are: Channel One, Russia 1, Russia 2, Russia 24, Russia K, NTV, Petersburg - Channel 5, TVC, CTC, Peretz, Domashniy, U, Disney Channel, TV3, MTV, TNT, REN TV, Mir, Zvezda, 2x2 and RBC TV. All of them have their own terrestrial frequency, except RBC TV which only joined this list in 2012. Almost 50% of federal channels belong to the must-carry package. In 2012 this list contained: Channel One, Russia 1, Russia 2, Russia 24, Russia K, NTV, Petersburg - Channel 5, Public Television of Russia and Karusel. This means that all TV operators had to include these channels into the must-carry package and broadcast them to consumers for free. 90% of Russian TV viewers watch federal channels regularly.

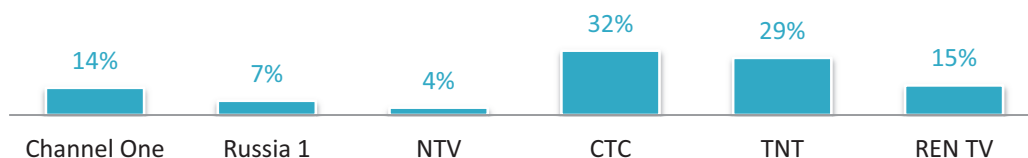
According to research by the Russian Association of Communication Agencies in 2012 advertising revenues of channels increased by 9% to RUB 143.2BN (VAT not included). As much as RUB 139.9 BN was earned by terrestrial broadcasters and the other RUB 3.31BN by production companies and distributors of thematic channels broadcast via cable networks and satellite. In total, TV as a segment used to dominate in terms of the whole advertising market. For the six most significant players (Channel One, Russia 1, NTV, CTC, TNT and REN TV), their advertising volume share on the terrestrial TV amounted to 70% in 2012. Moreover, the most significant purchases of premiere TV and cinema content in Russia was also attributed to these channels.

Analysis of the origin of the content broadcast by the federal channels

As for the breakdown of national domestic and foreign content broadcast by the leading channels compared to the total broadcasting time, it should be mentioned that this aspect has remained constant for the last 2 years in terms of both the total volume and individual channels. In 2012, according to the data of KVG Research, the national content broadcast by the TV channels which were analyzed corresponded to 77% of the total content broadcast whereas the foreign content was 23%. In absolute terms, in 2012 the volume of foreign content corresponded to over 10,000 hours or about

12,000 titles. Only 11% of the foreign broadcasts consisted of premiere content. To put this in perspective, in 2012 the volume of premiere content for the national content corresponded to 43%.

DISTRIBUTION OF THE PREMIERE FOREIGN CONTENT
(by the total air time)

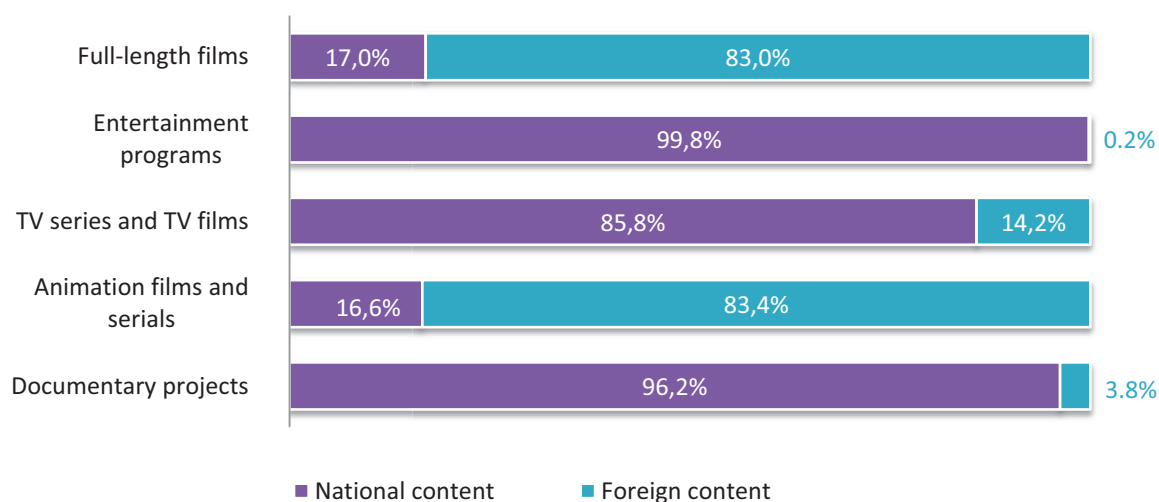


Source: KVG Research, TVRETE
TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

Two TV channels, *CTC* (45%) and *TNT* (41%), aired a variety of foreign content most actively. These TV channels still keep offering foreign full-length films, TV series and animation projects to their audiences. The share of foreign projects aired by *NTV* equaled 5% and contained mainly films and TV series which were as a rule broadcast at night. As for share of the national content on air, *Russia 1* ranks 2nd with 90%, followed by *Channel One* (81%), which is ahead of *REN TV* by 1% (*REN TV* obtained 80%).

Russian production companies cannot currently compete with foreign players in two areas: full-length films, of which 83% are foreign projects; and animated films and series, of which 83.4% are foreign products.

BREAKDOWN OF THE NATIONAL AND FOREIGN CONTENT
(by the total air time of content type) FOR 2012



Source: KVG Research, TVRETE
TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

In 2012 71% of all foreign TV projects broadcast by the leading Russian terrestrial TV channels came from the USA, causing its dominating position as for this criterion. Great Britain ranked 2nd, having achieved 6% of all unique project titles, followed by France with 5%. Other countries accounted for between 1-3% out of the whole of terrestrial broadcasts in terms of the period analyzed. Over 40 other countries were listed among the remaining 5% (which appears as 'others'), containing, in particular, Spain, Belgium, Sweden, Denmark, Czech Republic and Hungary.

As a rule, Russian TV channels broadcast foreign content at night or early in the morning. This phenomenon is a characteristic of Russian TV. From midnight until 5 a.m. the share of foreign content transmissions reaches its peak and equals 42% in total, of which 59% is content from European countries. The share of the Russian content decreases until midnight and falls in the end to 15%.

Additional broadcasting platforms for TV and cinema content which are actively developed in Russia enable foreign companies to profit using other sales channels. In summer 2013 there existed about 60 online VOD resources which contained licensed content. According to the data of KVG Research, 52% of all resources have both national and foreign content in their libraries. 45% of all resources deal only with national content, 88% of which contain video platforms affiliated with TV channels. iTunes by Apple appeared in Russia at the beginning of 2012. Smart TV turned out to be a real breakthrough in recent years in Russia. Over 50% of all applications offered by the stores are Russian speaking. The most significant Russian online video platforms are: *tvigle.ru*, *ivi.ru*, *megogo.ru*, *now.ru*, *videomore.ru*, *zoomby.ru*, *play.ru* and others, as well as applications of Russian TV channels (*Channel One*, *CTC*, *Domashniy*, *Peretz*, *Dozhd* and *RBC*). 35% of all resources are English speaking and are dominated by information, music and educational content.

FOREWORD

Television is still the most significant sector of the Russian advertising market. In 2012 its share equaled RUB 143.2BN, of which RUB 139.9BN was obtained by terrestrial broadcasters. In order to preserve the status of the most available and efficient media, Russian TV channels cannot disregard various international trends in TV development which refer to the development and aggregation of content as well as adjustment of the audience to the non-linear way of watching TV. In losing the young audience, TV channels have become more and more active in mastering new platforms and technologies. Most of them broadcast news, entertainment programs, TV series, documentaries and other programmes which they possess the rights for. The Internet audience gets exclusive content however it mainly consists of repeats or TV series and programs which have been taken off the air due to poor ratings. Most Russian terrestrial TV channels have branded pages on YouTube, Vkontakte and iTunes as well as applications within the iTunes Store, Google Play and SMART TV.

Although Russian broadcasters are still trying to use new platforms as a “second screen” to substitute the “first” one and solve defined marketing problems, the attitude of the channels towards the content has already begun to change. Russian production companies notice that since 2012 TV channels have begun to accumulate digital rights for TV projects and strengthened their reaction against illegal placement of Internet content which they possess. The obtainment of additional profit sources began to influence business models of some Russian producers of TV series and entertainment programs. But as national content makes up the dominating purchase share of the six leading Russian channels, Russian players do not actively work at additional income sources, unlike foreign companies which occupied 23% out of the total broadcast time of the six leaders in 2012. Therewith, many of them manage the library of rights in Russia, using online VOD, Pay TV, licensing of consumer rights, creation of games, selling rights for adaptation and many others.

Audio and video production is nowadays not only a part of live streaming, instead of that it is turning into a self-sufficient multiplatform product which can fully entertain the audience. The new conception of business processes causes new requirements in terms of expertise and analytics. That is why this research focuses on the component of TV as well as new broadcasting platforms of TV content and alternative methods of its monetization.

1. THE REGULATORY FRAMEWORK¹

1.1. Broadcasting Regulation

The Federal Law “On the mass media” № 2124-1 from December 27 1991² and the Federal Law “On advertising” №38-FZ from March 3 2006³ belong to the main legislative acts which regulate the activities of the TV sphere in Russia.

The FZ “On mass media” introduces basic terms and definitions which are included into the legal institution of mass information, which involves the channel’s and the broadcaster’s basic principles of the freedom of media, such as impermissibility of censorship and misuse of freedom of mass information; determines the status of TV broadcasters in Russia, policies of issuance of broadcasting licences and performing of TV broadcasting in Russia (TV broadcasting without appropriate permission leads to administrative liability – Resolution of Federal Anti-Monopoly Service of Volga-Vyatka region from September 9 2007); assures the system of mass information distribution, the relationship between the mass media towards organisations and citizens as well as liability for breaching the resolution on mass media.

It is important to mention the regulations documented in the FZ “On mass media” which contain information about founding TV channels, radio channels, TV programs, radio programs, video programs and organisations (legal bodies) which perform broadcasting dealing with foreign legal bodies as well as Russian legal bodies with foreign participation whose share (investment) of foreign participation in equity (share) capital equals or exceeds 50%; citizens of the Russian Federation with dual citizenship as well as the innovation of the year 2011, documenting that the President of the Russian Federation confirms the register of all-Russian must-carry public TV channels and radio channels broadcast for general public without charging consumer fees for viewing or listening.

In 2012 there were no significant changes introduced into the FZ “On the mass media”.

The following register of all-Russian must-carry public TV channels and radio channels has been confirmed by the President of the Russian Federation since 2009 and acts currently in the edition of the Resolution of the President of the Russian Federation №456 from April 17 2012⁴:

| № | CHANNEL | |
|---|------------------------------|---|
| 1 | Channel One | Open joint-stock company Channel One |
| 2 | TV channel Russia (Russia 1) | Federal state unitary enterprise All-Russia State TV and Radio Broadcasting Company |

¹ This chapter is provided for background information and was not supervised by the Legal information Department of the European Audiovisual Observatory. For updates on legal information related to the audiovisual sector in the Russian Federation, you may refer to the European Audiovisual Observatory website. See: <http://www.obs.coe.int/country/russian-federation/legal>

² Newspaper *Rossiyskaya Gazeta* [Russian Newspaper], N 32, from February 8, 1992

³ Newspaper *Rossiyskaya Gazeta* [Russian Newspaper], N 51, from March 15, 2006

⁴ Legislation Bulletin of the Russian Federation, from April 23, 2012, N 17, Art. 1915

| № | CHANNEL | |
|---|--|---|
| 3 | TV channel Russia-2 (Russia 2) | Federal state unitary enterprise All-Russia State TV and Radio Broadcasting Company |
| 4 | TV company NTV | Open joint-stock company, TV company NTV |
| 5 | St Petersburg – 5 Channel | Open joint-stock company TV and radio company Petersburg |
| 6 | TV channel Russia – Kultura (Russia K) | Federal state unitary enterprise All-Russia State TV and Radio Broadcasting Company |
| 7 | Russian information channel Russia 24 | Federal state unitary enterprise All-Russia State TV and Radio Broadcasting Company |
| 8 | TV channel for children and young people Karusel | Closed joint-stock company Karusel |
| 9 | TV channel Public Russian TV | Independent non-profit organization Public TV of Russia |

Consumers have a right to obtain must-carry public TV channels without paying fees for signal reception and broadcasting of such channels (Resolution of Federal Anti-Monopoly Service of East Siberian District from November 9 2012 with regard to case № A33-4149/2012).

The same resolution points out that the federal unitary enterprise Russian TV and Radio Broadcasting Network acts as a communication service provider, performing analogue and digital terrestrial broadcasting of all-Russia must-carry public TV channels and radio channels all over the Russian Federation.

The resolution of the President of the Russian Federation from June 24 2009 №715 “On All-Russia compulsory public TV channels and radio channels”⁵ does not cover services of terrestrial broadcasting of all-Russia must-carry public TV channels and radio channels by other communication service providers. (But see the *Federal State Unitary Enterprise Russian TV and Radio Broadcasting Network* Resolution of Federal Anti-Monopoly Service of Moscow district from November 22 2011 with regard to case N A40-5753/11-147-62).

For the purpose of the FZ “On mass media”, the Government of the Russian Federation enacted the regulation “On Licensure of TV and radio broadcasting” № 1025 from December 8 2011⁶.

1.2. Regulation of Advertising

The FZ “On advertising” №38-FZ from March 13 2006 regulates the system of advertising placement in TV production: forbids distribution of some certain types of advertising (hidden advertising, advertising of tobacco and tobacco products) and on some days (eg days of mourning) limits advertising of certain products (medical drugs, BAAs, military goods, paper security) and certain

⁵ *Rossiyskaya Gazeta* [Russian Newspaper], N 114, from June 25, 2009

⁶ *Rossiyskaya Gazeta* [Russian Newspaper], N 284, from December 16, 2011

activities (games, based on risk, Wagering, financial service, as well as service of annuity agreements and mediation activity); controls the rules of sponsor integration into TV programmes and confirms the order which prioritized position of subject are allocated in distribution of TV advertising on federal TV channels (federal TV channels are not entitled to conclude agreements on service of advertising distribution with the subject, occupying the prioritized position in the branch of distribution of TV advertising, which means the positions with a share of over 35% on TV advertising market).

The FZ “On advertising” standardizes the term “federal TV channel”, which means an organisation performing terrestrial broadcasting on the territory of more than five subjects of the Russian Federation. Furthermore, the FZ “On advertising” limits advertising placement in TV programmes for children and educational programs, allowing its demonstration at the beginning of the program and at the end of it, as well as determines acceptable duration of an advertising spot in accordance with the runtime of the program.

At the same time, the restraints defined by the FZ “On advertising” in relation to the advertising of certain products during TV programs are not valid in particular in the case of advertisements shown during TV programs on TV channels which are available only on a fee paid basis using decoding technical devices (Resolution of 9th Arbitration Court of Appeal from November 1. 2010 № 09AP-23107/2010 with regard to case № A40-47152/10-148-277).

Amendments were introduced into the FZ “On advertising” in 2012 forbidding the advertising of alcoholic products in printed periodical publications and on the Internet.

1.3. The Register of Federal Channels

As for federal TV channels, in 2010 the Federal Supervision Agency for Information Technologies and Communications, at the request of the Federal Anti-Monopoly Service, determined a range of such TV channels, containing 15 broadcasters, valid for that time. Later, the register was increased by four further TV channels. Since 2010 the Federal Anti-Monopoly Service has announced this register annually, according to the information provided by the Federal Supervision Agency for Information Technologies and Communications and broadcasters themselves. Last time (October 2012) this register consisted of 17 TV companies:

| No | CHANNEL |
|----|---|
| 1 | OJSC Channel One (Channel One) |
| 2 | FGUP Russian State Television & Radio Company (TV Channel Russia (Russia-1), TV Channel Russia-2 (Russia-2), Russian Information TV Channel Russia-24 (Russia-24) and TV Channel Russia-Kultura (Russia-K)) |
| 3 | OJSC TV and Radio Company Petersburg (Petersburg-5 Channel) |
| 4 | OJSC TV Company NTV (TV Company NTV) |
| 5 | OJSC TV Centre |

| № | CHANNEL |
|----|---|
| 6 | CJSC CTC-Region (First animation CTC. Domashny) |
| 7 | TV Channel Peretz (former TV Daryal/DTV) |
| 8 | TV Channel U (former MUZ – TV) |
| 9 | Channel Disney (former 7TV) |
| 10 | LLC TV Channel TV3 |
| 11 | MTV: Music Television |
| 12 | OJSC TNT Broadcasting Network |
| 13 | TV Channel REN TV |
| 14 | International TV and Radio Company Mir |
| 15 | TV Channel Zvezda |
| 16 | TV Channel 2x2 |
| 17 | RBC-TV |

1.4. Other Documents Regulating TV Content

Beside the Law “On advertising” and the Law “On the mass media”, there exist other legislative acts in Russia which influence the content of terrestrial TV channels.

In 2010 another FZ from December 29 2010 №436-FZ “On protection of children against information harming to their health and development”⁷ was introduced. This law refers to the protection of children against information which is harmful to their health and development, evokes a wish to consume psychotropic and narcotic substances, causes violence and denies family values.

In addition, this law classifies the information produced for children, including the information broadcast on TV, into categories in accordance with age groups and determines demands and restraints for distribution of information produced in each category.

The law also states that in certain cases programs and films which are not appropriate for children should be marked with special labels.

The changes put into the FZ “On advertisement” in 2012 specify the rating for categories of material by means of the symbol of information production and (or) text warning to limit distribution of material among children; intensifies demands towards accessibility of information spread by means of information telecommunication networks, including the Internet, in places or programs available for

⁷ *Rossiyskaya Gazeta* [Russian Newspaper], N 297, December 31, 2010

children; changes demands towards expertise of information production in particular any related party may contest the expert findings in a judicial proceeding, as well as document the obligation to place information over performed expertise on the Internet.

The FZ “On Coverage of activities of the state government in the state mass media” №7-FZ from January 13 1995⁸ documents that: the state federal audio and visual mass media shall provide consumers with the resulting TV and radio programs in full; on not less than one all-Russia TV channel and one all-Russia radio channel; in a timely manner convenient for TV viewers or radio listeners, and no later than 24 hours after the most important political events, the register of which is established by the law, as well as the state audio visual mass media; composing program policies should involve comprehensive and objective information in other journalistic, information and information-analytical programs, sharing with TV viewers and radio listeners information about activities of federal public authorities, main principles of state structure of the Russian Federation, main strategies of external and internal policy, activities of the President of the Russian Federation, position of deputy units in the State Duma, deputies of the Federation Council and deputies of the State Duma and adjustments of cases solved in a judicial proceeding.

In 2012 there were no additional amendments in terms of this law.

The FZ “On equality guarantees for parliament parties, covering their activity by state public TV channels and radio channels” №95-FZ from May 12 2009⁹ documents equality principles of information distribution about each parliamentary party, publicity of state control, editor independence of creativity and professional independence of public TV channels while covering activities of parliament parties and comprehensive and objective information sharing with TV viewers and radio listeners on activities of parliament parties, as well as establishes the order of control, providing each parliamentary party with equality guarantees when covering their activity by state public TV channels and radio channels.

In 2012 there were no additional amendments in terms of this law.

On April 17 2012 the President of the Russian Federation ordained Resolution №455 “On public television in the Russian Federation”¹⁰ for the purpose of prompt, reliable and comprehensive information sharing for all citizens of the Russian Federation about current events in terms of internal and external politics, culture, education, science, the religious sphere and others. This resolution set in effect the TV channel Public TV of Russia, obligated the Administration of the President of the Russian Federation, on the basis of suggestions from Russian citizens and Russian legal bodies, to set up within three months a so-called Public TV Council; obligated the Government of Russia to set up the independent non-profit organisation Public TV of Russia, performing the functions of establisher, editor and broadcaster of the TV channel; and obligated the Ministry of Defence to work on the question of using distribution networks of the TV channel *National TV company Zvezda* to broadcast programs of the TV channel *Public TV of Russia*.

On September 21 2009 the Government of Russia established Resolution № 1349-r which confirmed the Federal Target Program “Development of TV and Radio Broadcasting in the Russian Federation

⁸ *Rossiyskaya Gazeta* [Russian Newspaper], N 9-10, from January 14, 1995

⁹ *Rossiyskaya Gazeta* [Russian Newspaper], N 87, from May 15, 2009

¹⁰ *Rossiyskaya Gazeta* [Russian Newspaper], N 86, from April 19, 2012

within the years 2009-2015”¹¹. The program contains the case for the program-targeted method; possible implementation variants of the program; approximate time frames and problem adjustment stages by means of program-targeted method; suggestions on basic set up trends of the program (building of terrestrial digital TV networks; development of terrestrial radio broadcasting; enlargement of satellite grouping, payment of telecommunication service for distribution of must-carry TV and radio channels during the preliminary period; creation of a system to turn the format of archived materials of historical, scientific, social, economic, political and cultural value into digital, including its adaptation and classification; clarification campaign, suggestions on amount and sources of financing for the program; suggestions on state customers and developers of the program).

1.5. Public Bodies Involved in the Regulation of Broadcasting

1.5.1 Government of the Russian Federation¹²

The Government of the Russian Federation:

- governs work of federal ministries and other federal bodies of executive power and controls their activities
- organizes internal and external politics of the Russian Federation;
- regulates social and economic spheres;
- provides solidarity of system of executive power in the Russian Federation, directs and controls the activity of its bodies;
- forms federal target programs and cares for their appropriate implementation;
- implements granted right to exercise legislative initiative.

1.5.2. Ministry of Communications and Mass Media of the Russian Federation¹³

This is a federal body of executive power executing functions for development and implementation of state politics and statutory regulation in the IT sphere (including information technologies while forming state information resources and providing access to them), telecommunication (including usage and conversion of radio-frequency spectrum), postal communication, mass communication and mass media including electronic, for example: development of the Internet, systems of television broadcasting (including digital) and radio broadcasting and new technologies in this area, press, editorial and publishing activities, processing of personal data, control of state property and rendering of services in IT, including use of IT to form state information resources and to provide access to them, as well as performance and realisation of state politics for protection of children against information deemed harmful to their health and (or) development.

¹¹ Legislation Bulletin of the Russian Federation, from September 28, 2009, N 39, Art. 4638

¹² Legislation Bulletin of the Russian Federation, from December 22, 1997, N 51, Art. 5712

¹³ Legislation Bulletin of the Russian Federation, from June 9, 2008, N 23, Art. 2708

The following shall fall within its authorities:

- determine an information production symbol at the beginning of broadcasts as well as at each continuation of the broadcast (after advertisement breaks and (or) other information);
- provide the whole of the state population with socially important TV programs on national and regional levels;
- develop principles of organisation and implementation of produced and permitted for terrestrial broadcasting TV programs, phonograms and other audio and visual productions, belonging to the federal property (except cinema films).

1.5.3. Federal Anti-Monopoly Service of the Russian Federation¹⁴

The Federal Anti-Monopoly Service has authority for state control of statutory compliance of the Russian Federation on advertising, including:

- to monitor, investigate and address breaches of legislation of the Russian Federation on advertising by physical and legal bodies;
- take legal proceedings and review cases, dealing with breaches of the legislation of the Russian Federation on advertising.

1.5.4. Federal Supervision Agency for Information Technologies and Communications (Roskomnadzor)¹⁵

The Roskomnadzor is a federal body of executive power, executing functions of control and monitoring in the sphere of mass media information, including electronic and mass communication, information technologies and communication, functions of control and monitoring for accordance of processing of personal data with standards of legislation of the Russian Federation in the sphere of personal data and functions for the organisation of activity of radio frequency services.

The following fall within its authority:

- provide state control of statutory compliance of the Russian Federation in the sphere of mass media and mass communication, TV broadcasting and radio broadcasting;
- provide state control of submission of policies relating to child protection against information harmful to their health and (or) development – for the purpose of compliance with legislation of the Russian Federation on child protection against information harmful to their health and (or) development towards production and broadcasting by mass media, broadcasting of TV channels, radio Channels TV programs and radio programs;
- perform licensure of the activity, including control of compliance with license conditions and demands concerning TV and radio broadcasting by license holders¹⁶;
- establish registers holding data about communication providers performing the broadcasting of the TV channel or radio channel according to the contract with the broadcaster of those TV channel or radio channel and about subjects, distributing TV channel, radio channel in their

¹⁴ Rossiyskaya Gazeta [Russian Newspaper], N 162, from July 31, 2004

¹⁵ Legislation Bulletin of the Russian Federation, from March 19, 2007, N 12, Art. 1374

¹⁶ A register of broadcasting companies with TV or radio licence is available on the Roskomnadzor website: <http://rkn.gov.ru/mass-communications/reestr/teleradio/>

straight extension according to the contract with broadcaster or of those TV channel or radio channel by license-holders to the licensing authority;

- establish processes and recording of licence register for TV broadcasting and radio broadcasting by licensing authority;
- establish processes for data submission about the broadcaster used for TV channels and (or) radio channels according to a contract, by communication provider to licensing authority;
- work upon discovering new radio frequency channels and development of the radio frequency spectrum and orbital slots for satellites in order to enable TV broadcasting and radio broadcasting;
- confirm statement about Federal content commission for TV broadcasting and radio broadcasting and its formation, organisation and maintenance of its activity.

1.5.5. Federal Press and Mass Communications Agency (Rospechat)¹⁷

The Rospechat operates in accordance with legislation of the Russian Federation upon control of accomplished and permitted for broadcasting TV programs, and radio programs phonograms as well as other audio and visual productions, which belong to the federal property (except cinema films).

1.5.6. Federal Communication Agency (Rossvyaz)¹⁸

The Rossvyaz is a federal body of executive power which executes functions for managing state property and rendering state services in the sphere of telecommunication and postal communication, including creation, development and implementation of communication networks, satellite communication networks, systems of television broadcasting and radio broadcasting.

1.6. The New Law Against Piracy

On August 2 2013 Federal Law № 187-FZ “On Amending Separate Legislative Acts of the Russian Federation Concerning the Questions of Protection of Intellectual Rights in Information and Telecommunication Networks”¹⁹ came into effect. Early in the development stage it acquired the by-name “Anti-Piracy Law”.

It should be mentioned that even before the Law was introduced, the current legislation of the Russian Federation had foreseen liabilities in case of infringement of copyrights or neighbouring rights: by means of civil legislation (Article 1251, 1252, 1253 of Civil Code of the Russian Federation), application of punishment, imposed in administrative proceedings (Article 7.12 of Administrative Offences Code of the Russian Federation) and in criminal investigation proceedings (Article 146 of Criminal Code of the Russian Federation) as well as the application of injunctive measures.

The most important novation introduced by the Anti-Piracy Law is the statutory definition of “information intermediary” and the corresponding liability for infringing copyrights and neighbouring rights comes into force (Article 1253.1 of Civil Code of the Russian Federation).

¹⁷ *Rossiyskaya Gazeta* [Russian Newspaper], N 130, from June 22, 2004

¹⁸ *Rossiyskaya Gazeta* [Russian Newspaper], N 143, July 7, 2004

¹⁹ *Rossiyskaya Gazeta* [Russian Newspaper], N 148, from July 10, 2013

The term “information intermediary” stands for: an entity that carries out the transmission of content on information and telecommunication networks including on the internet; an entity that enables the distribution of the content by use of information and telecommunication networks (or distribution of information required to obtain such content); an entity that enables the access to the content in such networks.

Obviously those entities might include web site owners (which means the entity which independently and at its own convenience determines arrangements for the use of the web site on the Internet, including the arrangement for placing information on such a web site) and hosting providers (entities, rendering services for providing computing capacity to place information in the information system which is permanently connected to the Internet). All other entities which can infringe the copyrights, namely the ones placing information and the ones obtaining it, are not classified as information intermediaries and cannot be made liable on grounds of the Anti-Piracy Law. This nevertheless does not mean that they (at least the ones who place the information) escape liability as it can be based on grounds of the regulations referring to the civil, administrative or criminal legislation mentioned above.

According to the new law, the information intermediary shall be liable for copyright infringement if fault is proved taking into account special provisions on exceptions. Factors required for the exemption from liability differ depending on whether an information intermediary actually transmitted the infringing content on the internet or enabled such content distribution. In the first case, information intermediaries can be exempted from liability if the following conditions are met:

1. they did not initiate the transmission of the content and did not determine the receiver of the content;
2. they did not modify the content while providing services, save for the changes necessary by the technical process of transmission;
3. they did not know, or ought not to know, that the use of the results of intellectual activity by the entity who had initiated the transmission of the content was unlawful (paragraph 2 of Article 1253.1 of the Civil Code of the Russian Federation).

Information intermediaries who enable content distribution over the internet can be exempted from liability if the information intermediary:

1. did not know, or ought not to know, that the use of the results of intellectual activity by an entity that initiated the transmission of the content in question was unlawful;
2. in case of receipt of the right holder’s written application about the violation of intellectual property rights promptly did not take necessary and reasonable measures to stop the infringement of intellectual property rights.

Whereas the first two provisions which cause the liability of the information intermediary performing the transmission of the content can be handled unambiguously, the third provision as well as the provisions of incurrance of liability of the information intermediary who places the content are likely to provoke a dispute, as the mentioned terms contain currently controversially interpreted definitions.

First of all, the following question should be answered: is a content placement assumed to be lawful (which means until the opposite is proven) or is it necessary for the one who placed the content to provide corresponding proof that he/ she is the copyright holder in order to accept it as such. For now, practical application of the Law works in favour of the first interpretation. However, sooner or later,

the Supreme Arbitration Court of the Russian Federation will publish its explanatory statements which will provide the official line in terms of this question and it is not a given that it would be like the current precedents (the general tendency of upgrading of penalties for infringing the copyrights appear prominent in this case). Secondly, the Civil Legislation (Anti-Piracy Law refers to this Legislation), unlike the Administrative Legislation and the Criminal Legislation, has assumption of innocence at its disposal (according to Paragraph 2, Article 401 of Civil Code of the Russian Federation absence of fault can be proven by the entity breaching the liability).

Then how can an entity which considers itself to be the right holder and lodges an application to the information intermediary to cease infringement of his/her rights prove its rights? As for many types of intellectual property, the rights of the right holding entity can be easily proven if such a right is registered. However according to Paragraph 4. Article 1259 of the Civil Code of the Russian Federation, no registration of the work or maintenance of any other official arrangements are required in order to initiate, maintain or protect the copyrights, and as the Article 1253 of the Civil Code of the Russian Federation does not define the type of the content underlying the protection, it can be applied to any type but video production (which comes into effect as soon as the Law has been introduced), which will obviously evoke certain complications and controversial situations about the question of the eligibilities, which will be regulated only by Court.

The second important innovation introduced by the Anti-Piracy Law involved the amended statements introduced into the Civil Procedure Code of the Russian Federation under which the Moscow city court shall have the exclusive jurisdiction to consider, as the court of first instance, cases concerning violation of exclusive rights in films made available online and which already have undergone preliminary interim measures (Paragraph 3 of Article 26 of the Civil Procedure Code of the Russian Federation). The deletion of unlawfully uploaded information and/ or limitation of its access belongs to these measures.

The conditions of the application of such measures are as follows: filing an application to the Moscow city court in a written or electronic format; statement of unlawful content placement and confirmation of rights for the content by the applicant; implementation by ROSKOMNADZOR, which on grounds of the application of the potential right holder and order of enforcement issued by the Moscow city court, demands to erase the unlawfully placed content or to limit access to it via the hosting provider, and in the event of refusal takes measures via the communications service provider to limit access to the information resource or to the content placed there. In the case of the action being filed within 15 days after issuance of the order, the Moscow city court can issue an order for preliminary injunctions. If the legal proceedings are not initiated within the prescribed period, the order for preliminary injunctions shall be vacated.

Both the reasonableness and coherence of the introduction of the institution of limitation measures evokes some questions. First of all, limitation measures are applied in cases where neither the rights of the potential right holder are proven, nor any lawsuits have been filed which means a claim regarding application of liability. Thereby, such a situation might appear that there exists no acted file (in this case the entity whose rights were limited should file a lawsuit in order to undo the damage), whereas there exists no explanation as far as the last case is concerned. Secondly, how can information blocking on the web site help the potential right holder, being performed 15 days before the lawsuit is filed if he/she can file a lawsuit at once referring to protection of his/ her infringed rights, attaching a request for application of injunctions? Thirdly, as known, injunctive remedies are

used by the Court if non-acting of injunctive remedies might make the enforcement of the court judgement more complicated or even impossible (Article 139 of Civil Procedure Code of the Russian Federation). How can information blocking on the web site before filing a lawsuit trouble the enforcement of the court judgement at all, especially if there is no lawsuit filed?

The Anti-Piracy Law was approved by a convincing majority of the deputies of the State Duma, although some deputies, for example Dmitry Gudkov, publicly announced their disapproval.²⁰

The biggest internet platforms (*Mail.ru Group, Yandex, United Company Afisha-Rambler-SUP, Google Russia, RU-CENTER, Hosting Centre, Foundation for Assistance for Internet Technologies and Infrastructure Development (hereafter FAITID), Wikimedia Russia, OZON.RU, The Russian Association for Electronic Communications (hereafter RAEC), Association of Webpublishers*) approached with an open letter, expressing their active disapproval with the Anti-Piracy Law:

“This draft law sets significant opportunities for misusing and unfair competition. The draft law does not take into account the legal use of objects of copyrights without permission of the right holders which is foreseen by the Civil Legislation and international practice. The draft law does not take into account the opportunities, which get opened-up by the Internet in order to get revenue from online actions using lawful content. The assumed goal of anti-piracy measures by means of the existing text of the draft law will not be reached: modern technologies will enable pirates, if necessary, to avoid the blockings. As for the legal resources, first of all, for mass media, which do not use any unlawful technical tools, this draft law represent a serious threat to their normal activities.²¹”

On August 1 many internet companies arranged a protest action (internet strike), implementing stubs with black pictures and comments expressing their opinion towards the law on their web sites. The web site *RuTakedown* was also launched on August 1, which monitors the execution of the law, in particular law cases, user requests and publishes lists of blocked web sites.

As for the application of the Anti-Piracy Law, it is still rather controversial.

Within the first month after the Law came into effect, 19 lawsuits were received from 11 companies. The Moscow city courts granted a judgement to 14 lawsuits²². According to mass media, where the application for an injunction was refused remedies were dealt with formally. In these cases either the applicant did not provide the court with enough proof confirming that he/she is a right holder or did not name the infringer.

Currently, another law draft was introduced to the State Duma under consideration, according to which the validity of the Anti-Piracy Law shall be expanded not only for films and TV series but for all types of object of copyrights and neighbouring rights: literature and music, as well as software. Apart from that the authors of the draft law suggest that they should add another clause to the law whereby the right holder must submit claims to the web site owner and hosting provider not later than two days before referring to the court in order to apply limitation measures.²³

²⁰ <http://dgudkov.livejournal.com/264885.html>

²¹ <http://raec.ru/times/detail/2667/>

²² <http://www.kommersant.ru/doc/2265578?isSearch=True>

²³ <http://www.kommersant.ru/doc/2282424?isSearch=True>

2. STRUCTURE AND CHARACTERISTICS OF THE TV MARKET IN RUSSIA

2.1 The Categorisation of TV Channels

Russian TV channels can be classified in several different ways. Traditionally, broadcasters come under either: terrestrial TV channels, those using radio frequencies and repeater stations installed on TV towers for signal transmission; and non-terrestrial channels distributed by cable-satellite platforms (which is the most popular way, and the way in which more than 90% of viewers watch non-terrestrial television); MMDS (Multichannel Multipoint Distribution Service, a method of terrestrial distribution often assimilated to cable distribution) and IPTV (television by means of DSL networks). Unlike many European countries and the USA, Russian television has always been dominated by terrestrial distribution instead of cable distribution.

2.1.2. The Federal Channels

Due to the federal system of broadcasting being set up and operated by the State, the most significant channels can broadcast on the entire territory of Russia. However, this distribution cannot be simply called terrestrial TV as, because of signal distortions, the inhabitants of cities as a rule obtain even federal channels by means of cable, whereas among inhabitants of small towns the reception dish is getting more and more popular.

In total in 2012, according to the data of the Federal Anti-Monopoly Service, 21 federal channels broadcast in Russia. These are: *Channel One, Russia 1, Russia 2, Russia 24, Russia K, NTV, St. Petersburg TV, TV Centre, CTC, Peretz, Domashniy, U, Disney, TV3, MTV Russia, TNT, REN TV, Mir, Zvezda, 2x2 and RBC TV*²⁴. All of these channels have their own terrestrial frequency except for *RBC TV* which joined the list as recently as 2012. Nearly 90% of Russian viewers regularly watch these channels.

In accordance with Russian legislation, a channel is recognised as being federal if it broadcasts in at least five regions of the country. However federal channels have special constraints: they must not work with media advertising market operators who control more than 35% of the national or regional advertising markets.

Almost 50% of the federal channels belong to the must-carry broadcasting stations. In 2012 this list contained: *Channel One, Russia 1, Russia 2, Russia 24, Russia K, NTV, St. Petersburg TV, Public TV of Russia and Karusel*. This means that all television operators should include these channels into the basic must-carry package and broadcast them for free (for consumers).

Apart from that, the government indemnifies several of these channels for the costs incurred as a result of broadcasting content which the state considers to be important. These are channels which belong to *All-Russia State Television and Radio Broadcasting Company, Channel One, NTV and St.*

²⁴ http://www.fas.gov.ru/fas-news/fas-news_33600.html

Petersburg TV, provided that they broadcast to towns with populations of fewer than 100,000 people, which enhances the market position of federal terrestrial channels even more.

TERRESTRIAL FEDERAL TV CHANNELS IN 2012

| TV CHANNELS | COMPANY WHICH PROVIDES THE TV CHANNEL | MEDIA GROUP THE COMPANY BELONGS TO | COMPANY STATUTE | YEAR OF LAUNCH | TARGET AUDIENCE |
|--------------|--|--|-----------------|----------------|-----------------|
| CHANNEL ONE | Open Joint-Stock company Channel One | National Media Group | private | 1995 | All 14-59 |
| RUSSIA 1 | State TV Broadcasting Company TV Channel Russia | Federal State Unitary Enterprise All-Russia State Television and Radio Company | state | 1991 | All 25 + |
| NTV | Open Joint-Stock company NTV Television company | Gazprom-Media Holding | private | 2004 | All 18+ |
| CTC | Closed Joint-Stock Company Network of Television Stations | CTC MEDIA | private | 1996 | All 6-54 |
| TNT | Open Joint-Stock Company TNT Broadcasting Network | Gazprom-Media Holding | private | 1998 | All 14-44 |
| REN TV | LLC Accept | National Media Group | private | 1991 | All 25-59 |
| CHANNEL FIVE | Open Joint-Stock Company Television and Radio Company Petersburg | National Media Group | private | 2006 | All 25-59 |
| DOMASHNIY | Closed Joint-Stock company The New Channel | CTC MEDIA | private | 2005 | Women 25-59 |
| PERETZ | Closed Joint-Stock Company TV Daryal | CTC MEDIA | private | 2011 | All 25-59 |
| RUSSIA 2 | State TV broadcasting company TV channel Russia | Federal State Unitary Enterprise All Russia State Television and Radio Company | state | 2010 | Men 25+ |
| RUSSIA K | State TV broadcasting company TV channel Russia | Federal State Unitary Enterprise All Russia State Television and Radio Company | state | 1997 | All 25+ |

| TV CHANNELS | COMPANY WHICH PROVIDES THE TV CHANNEL | MEDIA GROUP THE COMPANY BELONGS TO | COMPANY STATUTE | YEAR OF LAUNCH | TARGET AUDIENCE |
|----------------|--|--|---------------------|----------------|-----------------|
| RUSSIA 24 | State TV broadcasting company TV channel Russia | Federal State Unitary Enterprise All Russia State Television and Radio company | state | 2006 | Men 25+ |
| ZVEZDA TV | Open Joint-Stock company Television and Radio Company of Armed Forces Zvezda | Television and Radio Company of Armed Forces Zvezda | state ²⁵ | 2005 | Men 29+ |
| DISNEY CHANNEL | LLC 7 TV | UTH Russia | private | 2011 | All 6-44 |
| U CHANNEL | Closed Joint-stock company TV Service | UTH Russia | private | 2012 | All 11-34 |
| MTV | Open Joint-Stock company MTV TV Channel | ProfMedia | private | 2013 | All 14-44 |
| TV-3 | LLCTV3 TV Channel | ProfMedia | private | 1994 | All 25-59 |
| TV CENTER | Open Joint-Stock company TV Center Television and Radio Company | TV Centre Television and Radio Company | state ²⁶ | 1997 | All 18+ |
| 2X2 | LLC Television and Radio Company 2X2 | ProfMedia | private | 2002 | All 11-34 |

2.2 Audience of the Federal Channels

Channel One, Russia 1 and *NTV* are the main Russian channels. They are the most popular channels amongst the population of Russia, therefore they are often used in order to bring information of national importance to the attention of the public.

Due to a sudden expansion in the number of TV channels in Russia in recent years, these “big three” have been getting more and more competitors which, little by little, have taken their audiences. As a result, the terrestrial position of the “big three” has remarkably declined over the last 10 years; this trend can be clearly seen over the last three years. Whereas these three channels were controlling almost 60% of the terrestrial audience in 2005 and 50% in 2010, currently only 41% viewers watch them on a regular basis. *Channel One* and *Russia 1* have suffered the most significant losses, as their shares have decreased by almost 50%, although *NTV*, up to the year 2011, had been building up its

²⁵ TV channel belongs to the category of state companies as it belongs to the Ministry of Defense of the Russian Federation

²⁶ TV channel belongs to the category of state companies as it belongs to the Moscow Government

audience and has begun to lose it over the last years. Nevertheless, the share of this channel, unlike *Russia 1* and *Channel One*, is higher than it used to be in 2005. No wonder that last year *NTV* for the first time audience figures beat those of the irreplaceable leader *Channel One* and became the most popular channel in the country. Although it failed to maintain this position and ranked 3rd in the results of the television season 2012/2013 which ended in May.

The fragmentation of audiences affects not only the “big three” channels but also the smaller ones. Over the last several years, *TNT* (which belongs to *Gazprom-Media Holding* along with *NTV*) was the only TV channel among the leading five channels which had increased its viewers. However since 2012 it has been losing its audience too. The decrease of the audience of another channel among the Top 5 channels, namely *CTC*, as it is recognised by its own management, should also be associated with the trend to audience fragmentation.

AVERAGE DAILY MEDIA PARAMETERS OF TERRESTRIAL TV CHANNELS
FOR THE PERIOD 2008-2012 (%)

| TV CHANNELS | 2008 | | 2009 | | 2010 | | 2011 | | 2012 | |
|--------------------|------|-------|------|-------|------|-------|------|-------|------|-------|
| | Rtg% | Share | Rtg% | Share | Rtg% | Share | Rtg% | Share | Rtg% | Share |
| CHANNEL ONE | 3.1 | 20.8 | 2.9 | 18.9 | 2.7 | 17.9 | 2.5 | 16.8 | 2.2 | 13.7 |
| RUSSIA 1 | 2.6 | 17.2 | 2.6 | 17.1 | 2.5 | 16.3 | 2.3 | 15.3 | 2.1 | 13.3 |
| NTV | 2.0 | 13.2 | 2.1 | 13.9 | 2.3 | 15.2 | 2.1 | 14.3 | 2.2 | 14.0 |
| CTC | 1.3 | 8.8 | 1.3 | 8.8 | 1.3 | 8.4 | 1.1 | 7.5 | 1.1 | 6.7 |
| TNT | 1.1 | 7.2 | 1.1 | 6.9 | 1.1 | 7.1 | 1.1 | 7.6 | 1.2 | 7.6 |
| REN TV | 0.7 | 4.5 | 0.7 | 4.9 | 0.7 | 4.3 | 0.7 | 4.4 | 0.8 | 5.2 |

Source: TNS, 2008-2012, Russia (cities 100 000+), 4+

At the end of 2012, for the first time in the whole period of TV audience measurement, *Channel One* lost its lead to the TV channel *NTV*, based on the media data which equaled 13.7% to 14.0%.

A certain audience loss could be observed for four out of the six TV channels compared to 2011. The audience loss of *Channel One* amounted to 3.1% and was therefore the most significant one compared to the other TV channels which were analyzed. The audience loss of *NTV* was 0.3% and turned out to be the least significant one. The TV channel *Russia 1* had to deal with an audience loss of 2% in 2012, ranking 3rd and reducing the gap on *Channel One* by a fractional part of the corresponding value.

TNT preserved its position from 2011 which resulted in the TV channel, with 7.6%, to be ahead of *CTC* with 6.7% as a result of an audience loss of 0.8% from a year before.

The only TV channel which managed not only to preserve but also to increase its audience was *REN TV*, possessing 5.2% of the audience share in 2012, compared to 4.4% in 2011.

AVERAGE DAILY MEDIA PARAMETERS OF TERRESTRIAL CHANNELS
FOR THE TIME PERIOD 2011-2012 AS FOR THEIR TARGET AUDIENCES, %

| TV CHANNELS | TARGET AUDIENCE | 2011 | | 2012 | |
|--------------------|-----------------|------|-------|------|-------|
| | | Rtg% | Share | Rtg% | Share |
| CHANNEL ONE | 14-59 | 2.2 | 16.0 | 1.9 | 12.8 |
| RUSSIA 1 | 25+ | 2.8 | 16.6 | 2.6 | 14.4 |
| NTV | 18+ | 2.4 | 15.0 | 2.5 | 14.7 |
| CTC* | 10-45 | 1.4 | 11.8 | 1.3 | 10.7 |
| TNT | 14-44 | 1.4 | 12.6 | 1.7 | 13.2 |
| REN TV | 25-59 | 0.8 | 5.1 | 1.0 | 5.9 |

Source: TNS, 2011-2012, Russia (cities 100 000+)

*This table considers the target audience of CTC which the TV channel went over to in 2013

2.3. Media Holdings and Financial Indicators of TV Channels

The changes in audience figures influenced the economic position of TV channels very differently. The share of *Channel One* on the advertising market has stayed almost constant over the last four years; this channel continues to earn more than anyone else on the Russian market. *Channel One* also preserved its leading position for the year 2012: it obtained 20.67% of the whole advertising investments on TV. Nevertheless, there is a certain decline of advertising sales revenue which took place at the same time and therefore should be mentioned: in comparison with the results of 2011, in absolute terms the investment declined by 2%. As of year-end 2012, *NTV* ranked 2nd, obtaining a market share of 16.32% (which demonstrates in absolute terms a sales revenue increase by 9%). *Russia 1* ranked 3rd with 13.5% of the market share (which is a sales revenue increase by 1% in absolute terms). *CTC* ranked 4th with 12.95% (increased revenue by 6%) and *TNT* ranked 5th, obtaining 11.43% of the market share (which shows a sales revenue increase by 22%).

The Russian terrestrial TV market is characterised by its concentration: 17 channels of 21 belong to large media holdings.

MEDIA HOLDINGS IN 2012

| COMPANY | COMPANY MANAGER | FOUNDERS AND THEIR CAPITAL SHARE | TV CHANNELS WHICH BELONG TO THE HOLDING AND THE ONES CONTROLLED BY THE HOLDING |
|---|-------------------------|--|---|
| All-Russia State Television and Radio Broadcasting Company (VGTRK) | Oleg Dobrodeev | Government of the Russian Federation (100%) | Russia 1, Russia 2, Russia 24, Russia K |
| CTC Media | Boris Podolsky | Modern Times Group (37.94%) and National Media Group (25.2%). Rest of the shares are listed on the stock market (36.86%) (September 2012 bank ROSSIYA purchased 8% of the shares) | CTC, Domashniy, Peretz |
| Gazprom-Media Holding | Nikolay Senkevich | Gazprombank with main shareholders OJSC Gazprom (41.73%) and NPF GAZFOND (46.92%) | NTV, TNT |
| ProfMedia | Rafael Akopov | 100% of company belong to Interros | TV3, 2x2, MTV Russia |
| National Media Group (NMG) | Alexander Ordzhonikidze | Bank ROSSIYA (18.9 %), Severstal-group (26.2 %), Surgutneftegaz (26.2 %), SOGAZ (21.2 %), RTL Group (7.5 %) | St. Petersburg TV (72.4%); REN TV (68%) Channel One (25%) Acts at a co-owner of CTC Media (25.2 %) – CTC, Domashniy, Peretz |
| UTH Russia | Dmitry Sergeev | Belongs to stakeholders of Alisher Usmanov and group Media-1 TV of Ivan Tavrin | Channel U Channel Disney (51% - UTH Russia; 49% - Disney Co) |

2.3.1. VGTRK

Federal Unitary Enterprise (hereafter FGUP) *All-Russia State Television & Radio Company* (hereafter *VGTRK*) acts as the main state media holding. It is entirely controlled by the state. *VGTRK* possesses four channels namely *Russia 1*, *Russia 2*, *Russia 24* and *Russia K*. Apart from that, the state holding regulates the terrestrial channel *Moscow 24* on behalf of the City of Moscow. In the near future it should also get control over the news channel of the Moscow region. The company also possesses eight thematic channels. Lastly, *VGTRK* owns the children's channel *Karusel* together with *Channel One*. According to its own evaluation, *VGTRK* is the largest European company in terms of volume of TV content production. Oleg Dobrodeev is the CEO of this company and Anton Zlatopolskiy is his first deputy director. Another key member of this company is the second deputy director Dmitriy Mednikov who deals with development of news broadcasting and thematic channels.

Because of the nature of the Russian legislation, *VGTRK* as a FGUP reveals little information about its financial activities. In 2012 sales revenue of the company rose by 5.5% to RUB 25.9BN (according to the Russian Accounting Standards, the company itself names this value "cost of sales"), whereas its costs rose by 14.6% to RUB 32,8BN. FGUP made up the difference, first of all, by means of special grants from the federal budget and other sources. In reports of *VGTRK*, grants are put down as "other incomes", which last year corresponded to RUB 20.3BN. The holding does not present details on its costs.

2.3.2. Gazprom-Media Holding

Officially, *Gazprom-Media Holding* is the most significant private media company in Russia. Its only owner is *Gazprombank*, whose shareholders consist of the company *Gazprom* which is controlled by the state, state corporation *Vnesheconombank* and *GAZFOND*. This non-profit fund is regulated by the company and controlled by the bank *ROSSIYA* which belongs to Yury Kovalchuk. For this reason, *Gazprom-Media Holding* should be considered as a quasi-state holding. As already said, the Holding owns two TV channels, namely *TNV* and *TNT*. Alexey Miller, the CEO of *Gazprom*, is also the chairman of board of directors at *Gazprom-Media Holding*. The CEO of *Gazprom-Media Holding* is Nikolay Senkevich, the CEO of *NTV* is Vladimir Kulistikov. As for *TNT*, its former CEO Roman Petrenko, who in fact had built the channel from the ground up, was replaced at the beginning of this year by Igor Goikhberg. Petrenko became the chairman of board of directors of the channel. Sergey Piskarev, who is the CEO of the sales house *Gazprom-Media Holding*, is responsible for advertising sales.

Sales revenue of *Gazprom-Media Holding* for 2012 was RUB 52.3BN: 11.5% more than the previous year according to the reports of *Gazprombank*, in compliance with IFRS. The most significant part of this sum (80%) was gained through advertising placement on TV channels, radio stations, web portals and magazines. The operating costs of *Gazprom-Media Holding* rose more slowly in 2012 than its sales revenue (plus 7.8%). As a consequence, its operating profit increased by 25% to RUB 12.4BN²⁷.

Sales revenue of *NTV* increased by 8.8% last year to RUB 22.1BN, with 94.5% of this sum being generated through advertising placement. *NTV* earned about RUB 1BN more through selling its content to other broadcasters. The support for this channel (which came from the budget) amounted to almost RUB 710BN, incl. RUB 9.5BN for the production of the programme *Professiya Reportyor* [Profession Reporter], RUB 15BN for *Chestniy Ponedel'nik* [Honest Monday] and RUB 6.8BN for the

²⁷ <http://www.media-atlas.ru/news/?id=32741>

programme *Smort* [Inspection]. During the same period the costs of the channel rose by 4.2% to RUB 17.1BN. The channel does not go into details of its costs in the corresponding report²⁸.

Last year the sales revenue of *TNT* rose faster than the sales revenue of *NTV*. It increased almost by 25% to RUB 13.4BN. Its costs increased by 10.3% to RUB 6.4BN. As a result, the operating profit of *TNT* ("sales profit" in the report) increased by 150% to RUB 5.3BN. It is the highest profitability among the leading Russian channels in the last year. The expenses for the purchased content corresponded to RUB 6.2BN, which is 36% lower than in 2011. Nearly one-third of the costs (RUB 2.1BN) were due to *Comedy Club Production*. *TNT* broadcast terrestrially RUB 4.2BN worth of content which is a little more than in the year 2011 (RUB 3.9BN)²⁹.

2.3.3. National Media Group

The private company *National Media Group* belongs to the bank ROSSIYA (which owns 18.9% of the shares of NMG and controls 21.1% by means of SOGAZ). The shareholders of this company include *Surgutneftegaz* and *Severstal* (26.2 shares each), as well as RTL Group (7.5%).

National Media Group owns 25% of shares of *Channel One*, 72.4% of shares of *St. Petersburg TV* and 68% of shares of *REN TV*. In addition, the company controls 25.3% of shares of *CTC Media*, together with its joint-stock bank ROSSIYA and its partners. In autumn 2013 another cable channel named *LifeNews* will be launched. According to the newspaper *Vedomosti*, *NMG* is a co-owner of this project.

In 2012 the sales revenue of NMG rose by 23% to RUB 12.1BN, its operating profit increased by 37% to RUB 1.5BN and its net profit increased by more than 200% to RUB 756BN. The company does not reveal any figures of single assets, but we can assume that it was the channel *St. Petersburg TV* which contributed to such a significant enhancement, as its audience rose remarkably during 2012. *St. Petersburg TV* also receives grants for signal distribution.

Apart from *NHG*, the state itself acts as the most significant shareholder at *OJSC Channel One*, which possesses the control stake. Other shares belong to the establishments of Roman Abramowitsch. Konstantin Ernst is the CEO of the company, Alexander Faifman is the general producer of the channel and Peter Shepin is its financial manager.

Last year was not very successful for *Channel One* in terms of advertising sales. In the end, the sales revenue of the channel almost did not change at all (its increase was no more than 0.7%) and amounted to RUB 29.1BN. The company gained 99% of this sum from advertising. The costs of *Channel One* rose by 13.3% to RUB 32BN³⁰. *Channel One* was able to cover the difference between revenue and costs due to the state budget it receives. It received almost RUB 3.5BN as a subsidy for distribution of signal in cities with populations under 100,000 people. The company further received RUB 34.7M to arrange the Eurovision contest and another sum of RUB 8M to purchase new equipment. It is not possible to report on programming costs given the company's reports.

2.3.4. CTC Media

CTC Media is just about the only traditional public media company in Russia. Its shares are listed in the stock-house of New York. Other public internet companies in Russia are *Yandex*, *Mail.ru Group* and

²⁸ Accounting reports data of the company 2012

²⁹ Accounting reports data of the company 2012

³⁰ Accounting reports data of the company 2012

RBC. Last year the value of *CTC Media* fluctuated between \$1.1BN and \$1.9BN. The shareholders of the company are *Swedish Modern Times Group* (37.9% of shares) and *Cyprus Telcrest*, controlled by the bank ROSSIYA. Other shares are free-floating.

In 2012 the sales revenue of the company increased by 5% to \$805M (or by 10%, if evaluating in RUB). The advertising sales revenue of the company in Russia increased by 9%, if evaluating in RUB. *CTC Media* possesses three channels: *CTC* itself, *Domashniy* and *Peretz*³¹.

CTC is the company's main channel. Its sales revenue did not change for 2012 and corresponded to \$580M (evaluation in RUB, increased by almost 7%). First of all, it can be explained by the fact that the channel had been losing its audience throughout the year and started to increase it in spring 2013. The sales revenue of *Domashniy* increased by 7.3% to \$117.5M, whereas the sales revenue of *Peretz* increased by 23% to \$117.5M.

CTC Media, as a public company, shares detailed information about its costs. Thus in 2012 for buying and producing content the company spent \$313M; the most significant part of this sum fell to the share of *CTC* (\$221M). The fastest increase in costs was demonstrated for the content of *Domashniy* (plus 18.3%, evaluating in RUB, to plus 14.4%, evaluating in RUB for *CTC*). It is interesting to compare the content costs of *CTC* and *TNT* as the closest competitors. For 2012 *CTC* spent 45.2% of its sales revenue on purchasing new TV programs, shows, TV series and movies, whereas *TNT* spent 46%. However, *CTC* showed content for as much as 38.2% of sales revenue, whereas *TNT* managed only 31.3%. That is how we can conclude that last year *TNT* was a more generous purchaser of content rights, but a worse "spender" of them than *CTC*, and the corresponding profit from them turned out to be better. Remember that *TNT* had a rising audience last year unlike *CTC*.

2.3.5. ProfMedia

ProfMedia is another media company which owns three federal channels, namely *MTV Russia*, *TV3* and *2x2*. The consolidated sales revenue of the company has risen by 12% to RUB 15.9BN. Its profitability in terms of its EBITDA has risen by 53% and amounts to RUB 4.1BN³².

The only owner of the company is the company *Interros* owned by Vladimir Potanin. The President of *ProfMedia* is Olga Paskina and the president of the TV department is Nikolay Kartosia. The company does not reveal the statistics of channels separately. Their total sales revenue increased last year by 26% to RUB 7.1BN and its EBITDA almost doubled to RUB 1.5BN. That is the highest increase of sales revenue among those federal channels which their reports publish. The source in *ProfMedia* explained this to the newspaper *Vedomosti* as being due to the increase in audience numbers of the channel *TV3* and efficient advertising sales (which can be seen as increase of affinity).

2.3.6. UTH Russia

UTH Russia regulates three channels: *U* and *Disney* which are terrestrial channels, and *MUZ TV* which is a cable channel. The companies *Media One*, belonging to Ivan Tavrín, and *Af Media Holding* owned by Alisher Usmanov, possess 50% each of UTH Russia. The CEO of UTH Russia is Andrey Dimitrov, the CEO of the channel *U* is Ruben Aganesyan, and the CEO of the *Disney Channel* is Yan Kukhalskiy.

³¹ <http://top.rbc.ru/economics/06/03/2013/848162.shtml>

³² <http://www.profmedia.ru/news/1788/>

The sales revenue of *UTH RUSSIA* rose by 14.8% to RUB 4.45BN in 2012 and its OIBDA increased by 16% to RUB 1.5BN³³.

2.4. State Support for Television Companies

The state still plays a significant part in the formation and development of the TV industry in Russia. It supports the TV industry in Russia in several different ways, providing subsidies for the development of activities of television companies and for single projects whether TV films, TV series or TV programs.

The Federal Press and Mass Communications Agency of Russia acts as the main institution which distributes state resources for the development of the TV industry. However other departments or institutions such as the Ministry of Culture of the Russian Federation, the Ministry of Defence and the Ministry of Emergency Situations often provide financial support for the activities of TV companies. State departments support both state and private TV companies.

The Federal Law of the Russian Federation from November 30 2011 № 371-FZ “On federal budget for the year 2012 and preliminary for the years 2013 and 2014” states that the amount distributed for support of TV and radio companies in 2012 equalled RUB 61.69BN. RUB 16.79BN was allocated in terms of the Federal target program “Development of TV and radio broadcasting of the Russian Federation within the years 2009—2015” (in 2011, this submission corresponded to RUB 44.8BN).

The most significant financial support in 2012, as in the previous year, went to *VGTRK* and equalled RUB 19.14BN (in the previous year, RUB 18.9BN). The purpose of the resources provided to *VGTRK* included financial support of its activities as well as coverage of its costs related to the production of programs, getting it on air and supporting activities in order to broadcast the product to viewers and radio listeners, maintenance of international activities and maintenance of foreign correspondent stations.

Independent non-profit organisation *TV-News* (TV channel *Russia Today*) received RUB 11.01BN for setting up and broadcasting channels in English, Arabic and Spanish, coverage of costs relating to the production of programs, its placement on air and maintenance of events, in order to broadcast the product to viewers and radio listeners, maintenance of international activities and maintenance of foreign correspondent stations.

TV Channel *Zvezda*, which was the basis for the creation of Public TV, received RUB 1.5BN as it had done the previous year.

The FGUP *Television Center Ostankino* obtained RUB 1.07BN in order to undertake major repairs to utility equipment and technical modernization of capital equipment. The *Autonomous Non-Commercial Organization* (hereafter ANO) *Sports Broadcasting* obtained RUB 3.49BN in order to build and maintain the transportable broadcasting studio in Sochi.

Channel One, *NTV* and *TV Company St. Petersburg* got more than RUB 5.04BN (in 2012, RUB 4.7BN). The purpose of these resources was to pay for the distribution and broadcast services provided by

³³ <http://www.kommersant.ru/doc/2120475>

FSUE *Russian TV and Radio Communication Agency*³⁴ to cities with populations of less than 100,000 people,

Apart from that, *VGTRK*, *NTV*, *Channel One* and *RIA News* have shared the resources for the coverage of the Olympic Games 2012 in London which amounts to RUB 3.45BN.

Besides supporting single TV enterprises, *Rospechat* arranges an annual contest to subsidise socially important TV programs. The projects to be supported by subsidies are drawn from the applications by a special expert council. For example, in 2011 143 TV projects obtained state support totalling RUB 668.4M. In 2012 224 projects received budget resources, which totalled RUB 719.5M.

Both federal channels, such as *Russia 1*, *Russia 2*, *Channel One*, *NTV* and *TV Centre Kultura*, and regional channels received such subsidies. *VGTRK* received the most resources, totalling RUB 60.9M. After *VGTRK* comes *MTRK MIR* (RUB 52M), *Channel One* (RUB 33.7M) and *NTV* (RUB 31.3M).

Using the financial support, *NTV* broadcast 32 episodes of *Smotr* a program about the Russian army (RUB 6.7M), 29 episodes of *Profession Reporter* (RUB 9.5M) and 15 episodes of *Chestni Ponedelnik*. The last project finished in July 2013.

The TV channel *Dozhd* [Rain] received money for the cycle of social marketing *Vse raznie – vse ravny* [Everybody is different. Everybody is equal]. Seven video slots cost RUB 1.3M. The TV program *Knigi* [Books] received a subsidy in the amount of RUB 2M.

Channel One got a TV program *Umniki i umnitzi* [Wise guys and wise girls] and a social talk-show *Zhdi menya* [Wait for me] financed. In addition, TV projects *Spokoynoy nochi, malishi* [Good night, you little ones] (*Russia 1*), *Chernie Diri Belie Pyatna* [Black holes. White spots], *Provincialnie muzei Rossii* [Provincial museums of Russia], *Romantika romansa* [Romantic of Romance] (*Russia K*), *Den' aista* [The Day of Stork], *Marsh-brosok* [Forced March], *ABVGD'ka* [ABC] (*TV Centre*), *V mire zhivotnih* [In the world of animals] (*Russia 2*) and *Samiy umniy kadet* [The smartest cadet] (*CTC*) were among the programs which obtained financial support from the state³⁵.

Apart from *Rospechat*, the Ministry of Culture of the Russian Federation supports single broadcast projects, mainly feature and animation films.

In 2012 the Expert Council of the Ministry of Culture gave some financial resources to create 10 films for children and young people, 9 independent and experimental films, 5 projects of debut directors and 3 films which were at the final stage.

Among the independent film projects, the following ones should be pointed out: the new movie of Aleksey Fedorchenko, a screen version of Denis Osokin's *Angeli i revoliuziya* [Angels and revolution], *Igra v pravdu* [Play me the truth] by Victor Shamirov, *Poezdka k materi* [Visit of mother] by Michail Kosirev, *Snegurochka* [Snowmate] by Dmitri Svetozarov, *Beliy yagel* [White moss] by Vladimir Tumaev, *Klass korrekzii* [Correction class] by Olga Kaptur, *Chestno* [Honestly] by Vladimir Shegolkov, the comedy *Provinciali* [Provincials] by Roman Karimov, Michail Ugarov and his debut work *Bratya Ch* [Brothers Ch], Shveyzar [The Doorman] the first work of cameraman Michail Krichman as a director and *Tyajoliy sluchay* [Hard case] by script writer Konstantin Murzenko were granted financial support.

³⁴ <http://www.fapmc.ru/rospechat/activities/pokazateli/otchety/item1806-1/main/custom/00/0/file.pdf>

³⁵ <http://www.fapmc.ru/mobile/statements/support/recipientsofstate/item1940/main/custom/00/0/file.pdf>

The applications of Bakura Bakuradze *General* [General], Vladimir Kott *Obshaga na krovi* [Alphabet in blood], Grigory Konstantinopolskiy *Russkiy bes* [Russian devil] and Sergey Solovyev *Ivan Turgenev. Metaphisica lyubvi* [Ivan Turgenev. Metaphysics of love] did not receive any financial support. The expert council decided to support films which had already been shot and were at the end stage of production, among them drama *Alaverdi* by Maria Saakyan, *Judas Iskariot* by Andrey Bogatirev (an adaptation of the namesake novel by Leonid Andreev), *Zerkala* [Mirrors] by Maria Migunova and Yuri Arabov, an almanac consisting of four novels about Marina Zvetaeva. The experts made their decisions having examined 138 applications.

2.5. TV Advertising

2.5.1. Advertising investments

In 2012, according to the Russian Association of Communication Agencies the income generated by TV channels through advertising increased by 9% to RUB 143.2BN (VAT not included). Of this, RUB 139.9BN funded terrestrial broadcasting whereas the rest (RUB 3.31BN) went back to the production companies and distributors of thematic channels transmitted by cable networks or satellite. In total, TV has been the dominating segment of the whole advertising market. As of the year-end 2012 its share by total expenditure equalled 48%, according to the Association. In the pre-crisis year 2007, this figure came to 44%. In 2009, which was the least advantageous for the whole advertising branch, it amounted to almost 52%.

THE VOLUME OF THE MARKET OF MARKETING COMMUNICATIONS IN RUSSIA IN 2012

| MEDIA | ADVERTISING REVENUE IN 2012 (RUB BN, VAT NOT INCLUDED) | GROWTH BY THE YEAR 2012 (%) |
|--|---|--------------------------------|
| TV | 143.2 | 9 |
| <i>which includes terrestrial broadcasting</i> | 139.9 | 9 |
| <i>Cable-satellite broadcasting</i> | 3.3 | 27 |
| Radio | 14.6 | 23 |
| Press | 41.2 | 2 |
| <i>which includes newspapers</i> | 9.5 | 8 |
| <i>Magazines</i> | 20.1 | 1 |
| <i>Advertising information publications</i> | 11.6 | -1 |
| Outdoor Advertising | 37.7 | 10 |
| Internet | 56.3 | 35 |

| MEDIA | ADVERTISING REVENUE IN 2012 (RUB BN, VAT NOT INCLUDED) | GROWTH BY THE YEAR 2012 (%) |
|---|---|--------------------------------|
| <i>which includes media advertising *</i> | 17.9 | 17 |
| <i>Contextually targeted advertising**</i> | 38.4 | 45 |
| Other media | 4.9 | 14 |
| <i>which includes indoor-advertising***</i> | 3.8 | 13 |
| <i>Advertising in cinema</i> | 1.1 | 18 |
| TOTAL segment ATL | 297.8 | 13 |
| TOTAL segment BTL | 80.4 | 18 |

* Banners. Pop-up windows and other similar formats as well as network video advertising.

** Commercial links among search results or within specialized resources.

*** Advertisement inside buildings eg business centres, shops, airports etc.

Source: Russian Association of Communication Agencies

2.5.2. Advertising investments on television

It is very simple to explain the interest of media advertising market operators towards TV as it is the most available and efficient media. In 2012 it cost the federal TV channels RUB 115 to maintain 1,000 contacts with viewers aged over 18 living in cities with populations of over 100,000 people, according to the agency Initiative. The same 1,000 contacts with the same audience using outdoor advertising cost only RUB 30. As for the radio, this value amounted to RUB 105, whereas daily newspapers cost as much as RUB 166. At the same time, magazines were RUB 187 and the Internet RUB 214.

Advertising on television takes the form of a video, which enables a coherent story to be told, whereas outdoor advertising is, as a rule, limited to a poster showing a static picture, or an audio message on the radio. That is why outdoor and radio advertising traditionally come off worse than television, based on the level of creativity possible and, consequently, influence on the consumer.

As a result, TV is the key advertising medium for the manufacturers of everyday products. In 2012, according to the data of the Analytical Centre *Video International*, the category "Food" was evaluated as the most significant product category on TV as advertisers increased their budgets by 10% to RUB 18.6BN. The category "Medicine and Pharmacy" follows second with RUB 15.7BN (which increased by 28% from 2011): consumer healthcare goods, allowed for common advertising, are viewed as articles of daily necessity. The third largest category "Perfumery and Beauty Products", disposing a budget of RUB 13.2BN (which decreased by 3%), once again represents manufacturers of everyday products. Referring to the Top 20 product categories, these also appear: "Home Care" (RUB 4.8BN, which decreased by 7%), "Personal-Care Products" (RUB 3.4BN; which decreased by 7%), "Refreshment Drinks" (RUB 3BN; which increased by 27%), "Juices" (RUB 1.9BN; which increased by 11%) and "Beer" (RUB 1.8BN; which decreased by 40%, as beer advertising on TV has been prohibited since July 23).

It is rather natural that the manufacturers of everyday products rank as dominating among the basic media advertising market operators on TV. Among the leading ten most important contractors of TV advertising, according to the industry publication *AdIndex*, only one media advertising market operator refers to another category, namely MTS, possessing RUB 3.5BN in 2012, ranks No. 10. To enable a more comprehensive comparison, it would be helpful to cite as example the TV advertising budget of the rank leader *Procter & Gamble*, which corresponds to almost RUB 6.6BN. Moreover, it should be mentioned that, whereas MTS spends 78% of its total advertising budget on TV advertising, *Procter & Gamble* spends 88% of its advertising budget on TV advertising.

When analysing the positions of the most significant advertising agencies on TV, it is clear that the success of *PepsiCo* was the most important development of 2012. As of year-end 2012 the American corporation ranks 4th, having at its disposal RUB 5.6BN, whereas in 2011 it ranked 17th with RUB 1.8BN. It is, nevertheless, quite simple to understand how this happened: in 2011 *PepsiCo* achieved a takeover deal over *Wimm-Bil-Dann* and consolidated media buying. The budget of the Russian manufacturer of juice and dairy products had always been more significant compared to the budget of the American corporation: in 2011 *Wimm-Bil-Dann* spent RUB 2.5BN on advertising, ranking 10th among media advertising market operators.

Another M&A deal among manufacturers of everyday products which proved itself as important, influencing the ranking of the most significant advertisements, took place in 2011 as the English-Dutch company *Unilever* purchased the Russian *Kalina*. *Unilever* as it appears as one of the most significant TV media advertising market operators: in 2011, according to *AdIndex*, it ranked 6th, possessing a budget of RUB 3.4BN. *Kalina* acted as one of several home media advertising market operators with a TV advertising budget, which became the 3rd ranked advertiser with a budget of RUB 5.7BN, following *Procter & Gamble* and *Mars Inc.*

Certain changes within the advertising agency market should also be seen as a consequence of consolidation of some key players. As of year-end 2012, the agency *OMD Optimum Media*, consolidating purchases of *PepsiCo* and *Wimm-Bil-Dann*, ranked 1st as the leading large professional buyer of advertisement. In 2011, this agency occupied merely the 3rd position. At the same time the agency *Havas Media* who supply *Unilever*, as of year-end 2012, on the contrary, ranked just 3rd, losing the leading position of the previous year. The agency *Starcom*, having *Procter & Gamble* as a key customer, ranked 2nd. This company also consolidated its purchases of TV advertisement with *Teva Pharmaceuticals* in terms of a strategic global partnership in 2012. That is how *Teva* with its TV advertisement budget over RUB 1BN became a client of *Starcom*.

Such purchase consolidations are highly practiced by other large media advertising market operators. That is how the Swiss *Nestle*, the French *L'Oreal*, the French *Renault*, the Japanese *Nissan*, the Russian *VimpelCom* and *Euroset* purchase TV advertisement, by consolidating operations. Taking these consolidations into account, it becomes clear that the alliance of *Nestle-L'Oreal* comes off merely a little worse than *Procter & Gamble* or *Teva*, judging by its total budget: RUB 7.636BN to RUB 7.655.9BN.

LEADING MEDIA ADVERTISING MARKET OPERATORS IN RUSSIA IN 2012

| RANKING | COMPANY | ADVERTISING BUDGET (RUB M, VAT INCLUDED) | | | | |
|---------|--------------------------|--|----------|------------|-------------|----------|
| | | 2012* | | | | |
| | | TELEVISION | | | | |
| | | Federal | Regional | Thematical | Sponsorship | In total |
| 1 | Procter & Gamble | 6 272.1 | 111.6 | 119.7 | 83.2 | 6 586.6 |
| 2 | Mars Inc. | 5 408.6 | 177.3 | 124.2 | 14.9 | 5 725.0 |
| 3 | Unilever | 5 408.3 | 74.9 | 101.1 | 54.9 | 5 639.1 |
| 4 | PepsiCo | 4 675.8 | 622.3 | 93.7 | 180.3 | 5 572.2 |
| 5 | Henkel | 3 769.0 | 98.0 | 71.9 | 29.2 | 3 968.1 |
| 6 | Nestle | 2 798.0 | 913.7 | 83.5 | 46.7 | 3 841.9 |
| 7 | L'Oreal | 3 294.1 | 395.7 | 77.3 | 27.4 | 3 794.5 |
| 8 | Reckitt Benckiser | 3 521.0 | 60.3 | 78.4 | 55.6 | 3 715.2 |
| 9 | Danone | 3 466.3 | 6.7 | 66.5 | 9.0 | 3 548.5 |
| 10 | MTS | 2 385.1 | 1 004.0 | 88.4 | 24.2 | 3 501.7 |
| 11 | Novartis | 3 348.2 | 0.3 | 50.6 | 42.4 | 3 441.5 |
| 12 | Mondelez International** | 3 270.1 | 0.0 | 44.8 | 27.5 | 3 342.4 |
| 13 | MegaFon | 2 162.4 | 423.0 | 77.7 | 196.4 | 2 859.6 |
| 14 | Ferrero | 1 067.4 | 1 628.8 | 23.9 | 22.7 | 2 742.7 |
| 15 | Coca-Cola Co. | 2 168.0 | 0.0 | 31.4 | 51.5 | 2 250.9 |
| 16 | Johnson & Johnson | 1 979.2 | 64.6 | 19.8 | 28.3 | 2 091.8 |
| 17 | VimpelCom | 1 817.4 | 88.2 | 82.3 | 0.0 | 1 987.9 |
| 18 | Sberbank | 1 738.6 | 77.3 | 36.8 | 65.4 | 1 918.1 |
| 19 | Pharmstandard | 1 586.0 | 1.9 | 15.0 | 124.7 | 1 727.6 |

| RANKING | COMPANY | ADVERTISING BUDGET (RUB M, VAT INCLUDED) | | | | |
|---------|---------------------------|--|----------|------------|-------------|----------|
| | | 2012* | | | | |
| | | TELEVISION | | | | |
| | | Federal | Regional | Thematical | Sponsorship | In total |
| 20 | Volkswagen | 1 559.6 | 5.3 | 119.5 | 16.7 | 1 701.1 |
| 21 | Berlin-Chemie Menarini | 1 088.3 | 0.0 | 0.0 | 543.6 | 1 631.9 |
| 22 | Evalar | 1 520.9 | 0.3 | 11.6 | 57.2 | 1 590.1 |
| 23 | Sanofi Aventis | 1 505.1 | 15.5 | 26.8 | 31.5 | 1 578.9 |
| 24 | M.Video | 1 420.9 | 32.8 | 19.4 | 0.0 | 1 473.0 |
| 25 | General Motors | 1 402.1 | 7.4 | 31.7 | 19.3 | 1 460.6 |
| 26 | Beiersdorf | 1 358.6 | 0.0 | 19.3 | 33.0 | 1 410.9 |
| 27 | Baltika | 1 215.0 | 93.9 | 5.7 | 0.0 | 1 314.6 |
| 28 | Bayer | 1 264.7 | 3.4 | 17.9 | 25.9 | 1 311.9 |
| 29 | Colgate- Palmolive | 1 132.8 | 0.0 | 86.9 | 5.6 | 1 225.2 |
| 30 | Orimi Trade | 1 138.5 | 0.2 | 24.7 | 23.4 | 1 186.9 |
| 31 | Sport Master | 1 095.9 | 29.6 | 34.4 | 0.0 | 1 160.0 |
| 32 | McDonald's | 1 099.3 | 0.4 | 16.5 | 15.3 | 1 131.4 |
| 33 | Teva | 1 046.8 | 0.2 | 15.0 | 6.4 | 1 068.3 |
| 34 | Eldorado | 992.0 | 28.5 | 21.7 | 19.0 | 1 061.2 |
| 35 | X5 Retail Group | 0.0 | 1 011.1 | 7.3 | 2.7 | 1 021.1 |
| 36 | Nissan | 783.3 | 27.2 | 168.9 | 0.0 | 979.5 |
| 37 | GlaxoSmithKline | 610.1 | 316.5 | 0.1 | 22.6 | 949.2 |
| 38 | PSA Peugeot Citroen | 742.2 | 38.6 | 82.3 | 4.8 | 868.0 |
| 39 | Tele2 | 0.0 | 863.5 | 0.0 | 0.0 | 863.5 |

| RANKING | COMPANY | ADVERTISING BUDGET (RUB M, VAT INCLUDED) | | | | |
|---------|---------------------|--|----------|------------|-------------|--------------|
| | | 2012* | | | | |
| | | TELEVISION | | | | |
| | | Federal | Regional | Thematical | Sponsorship | In total |
| 40 | VTB | 814.8 | 5.1 | 4.5 | 13.5 | 837.9 |
| 41 | Hyundai | 749.2 | 7.2 | 27.6 | 36.4 | 820.4 |
| 42 | Ford Motor Co. | 757.9 | 3.9 | 31.8 | 8.7 | 802.3 |
| 43 | LVMH | 724.1 | 0.0 | 36.7 | 24.9 | 785.7 |
| 44 | Svyaznoy | 645.3 | 93.3 | 20.4 | 8.4 | 767.5 |
| 45 | Rostelcom | 211.1 | 536.0 | 2.4 | 3.4 | 752.8 |
| 46 | Samsung Electronics | 690.5 | 0.3 | 39.9 | 19.2 | 749.9 |
| 47 | Kia Motors | 661.0 | 9.8 | 22.4 | 35.1 | 728.3 |
| 48 | Toyota | 618.5 | 9.2 | 70.4 | 22.8 | 721.0 |
| 49 | Renault | 559.5 | 5.8 | 32.3 | 0.0 | 597.6 |
| 50 | Metro Group | 0.0 | 505.7 | 0.6 | 0.0 | 506.3 |

*While calculating the budgets for 2012, the procedure was improved, that is why the comparison with the indicators of the year 2011 is not correct.

**Formerly Kraft Foods.

Source: AdIndex

2.5.3. Buying Audience

For the TV channels themselves, 2012 saw significant changes relating to target audiences which determines terrestrial advertising. Immediately, 12 broadcasters moved over to new audiences. Where some channels performed insignificant changes (for example, since 2012 *Peretz* and *TV3* have aimed themselves at viewers aged between 25 and 59 years, instead of the life stage 25-54 as they had previously), other important broadcasters took measures which can be called radical. *Channel One*, which traditionally broadcast to all Russians aged over 18 years, announced that from then on it would mainly broadcast for the young audience (14-59 years). On the contrary, its main competitor, the channel *Russia 1*, announced that its target audience consisted of Russians aged over 25 years. The leading broadcaster among the young audience, namely the channel *TNT*, refused to broadcast for children, limiting its target audience from all viewers between 6-54 years to those aged between 14-44 years.

It is remarkable that these massive audience changes were initiated by the channel *CTC*. In 2011 *CTC* was losing viewers within its target audience (all Russians between 6 and 54 years). This led the top-management of *CTC-Media* to announce that children were not a priority for their leading channel and that from the year 2012 onwards, the channel would cater for viewers aged between 14-44 years. The figures for *CTC* turned out to be a little better in terms of this audience. But in autumn 2011, when TV sales houses took up detailed negotiations with advertisers and their agencies on deals for the following year, the management of *CTC-Media* refused to switch to the new audience. As a consequence, throughout 2012 the channel was selling advertising taking into account only its old audience, and performed the actual audience change in 2013, including viewers aged between 10 and 45 years as its target audience. All in all, *CTC-Media* did not risk taking any more radical measures.

The decline of the target audience for the channel should lead to a reduction of advertising space, which gets compensated by its rising costs. Still, if the broadcaster really restructures its whole broadcasting program policy according to the new audience, then reducing the advertising space becomes optional instead of necessary: if the channel involves more viewers within its new target audience, then the amount of advertising space might even get bigger.

Thus, as of year-end 2011, the average daily share of *TNT* in its old target audience (viewers between 6-54 years) equalled 10.4%, according to the data of TNS Russia. As of year-end 2012 and referring to the new target audience (viewers between 14 and 44 years) it rose to 13.2%. This turn was caused not only by involving more viewers within the year but also the ones who enable the channel to earn money. In 2011, referring to the new target audience, the daily average share of *TNT* equals 12.6%. That is why, in 2012 the released advertising maintenance accessories on *TNT* on air on the federal level increased, according to the consulting company *Media Logics*, by 31% up to 160.3 thousand rating points (unit of measure in terms of advertising sales which represents the number of viewers who have seen the advertisement). Consequently, possible sale amount of *TNT* coming from advertising placement on air on federal level, according to the agency *Kwendi Media Audit* increased by 20% to RUB 12.1BN (VAT not included but commission fees of distributor included).

ADVERTISEMENT REVENUE OF CHANNELS IN 2012

| BROADCASTER | TARGET AUDIENCE | APPROXIMATE COSTS OF ONE RATING POINT ** (RUB, THOUSANDS, VAT INCLUDED) | POSSIBLE REVENUE FROM PLACEMENT ON AIR ON FEDERAL LEVEL (RUB BN, VAT AND COMMISSION FEES OF DISTRIBUTOR INCLUDED) | | CHANGES OF TOTAL ADVERTISEMENT REVENUE BY THE YEAR 2011 (%) |
|--|----------------------------------|---|---|---------------------------------------|---|
| | | | Only direct advertising | Advertising and commercial continuity | |
| <i>Channels, supplied by the group Video International</i> | | 91.711 | 45.448 | 48.154 | 6 |
| Channel One | Russians between 14 and 59 years | 143.147 | 24.564 | 26.587 | -4 |
| National Media Group | | 64.176 | 9.341 | 9.560 | 19 |
| REN TV | Russians between 25 and 59 years | 78.739 | 6.338 | 6.448 | 2 |
| St.Petersburg TV | Russians between 25 and 59 years | 46.157 | 3.003 | 3.112 | 81 |
| ProfMedia | | 66.946 | 7.154 | 7.405 | 32 |
| TV 3 | Russians between 25 and 59 years | 65.649 | 4.079 | 4.179 | 29 |
| MTV Russia | Russians between 14 and 34 years | 78.642 | 1.936 | 2.020 | 34 |
| 2x2 | Russians between 11 and 34 years | 56.641 | 1.139 | 1.206 | 40 |
| UTH RUSSIA | | 61.348 | 4.389 | 4.602 | 21 |

| BROADCASTER | TARGET AUDIENCE | APPROXIMATE COSTS OF ONE RATING POINT ** (RUB, THOUSANDS, VAT INCLUDED) | POSSIBLE REVENUE FROM PLACEMENT ON AIR ON FEDERAL LEVEL (RUB BN, VAT AND COMMISSION FEES OF DISTRIBUTOR INCLUDED) | | CHANGES OF TOTAL ADVERTISEMENT REVENUE BY THE YEAR 2011 (%) |
|---|----------------------------------|---|---|---------------------------------------|---|
| | | | Only direct advertising | Advertising and commercial continuity | |
| U Channel*** | Russians between 11 and 34 years | 77.962 | 2.519 | 2.638 | 23 |
| Disney Channel | Russians between 6 and 44 years | 47.664 | 1.870 | 1.964 | 19 |
| <i>Channels consulted by the group Video International</i> | | 78.940 | 38.783 | 42.206 | 7 |
| CTC Media | | 94.900 | 21.022 | 22.649 | 9 |
| CTC | Russians between 6 and 54 years | 118.175 | 15.252 | 16.662 | 6 |
| Domashniy | Women between 25 and 59 years | 59.515 | 3.258 | 3.385 | 10 |
| Peretz | Russians between 25-59 years | 66.612 | 2.512 | 2.602 | 29 |
| Russian State Television & Radio Company | | 65.835 | 17.761 | 19.557 | 4 |
| Russia 1 | Russians elder than 25 years | 70.775 | 16.041 | 17.369 | 1 |
| Russia 2 | Men elder than 25 years | 39.876 | 1.720 | 2.188 | 46 |

| BROADCASTER | TARGET AUDIENCE | APPROXIMATE COSTS OF ONE RATING POINT ** (RUB, THOUSANDS, VAT INCLUDED) | POSSIBLE REVENUE FROM PLACEMENT ON AIR ON FEDERAL LEVEL (RUB BN, VAT AND COMMISSION FEES OF DISTRIBUTOR INCLUDED) | | CHANGES OF TOTAL ADVERTISEMENT REVENUE BY THE YEAR 2011 (%) |
|---|----------------------------------|---|---|---------------------------------------|---|
| | | | Only direct advertising | Advertising and commercial continuity | |
| Channels supplied by Gazprom-Media Holding and Alkazar | | 73.820 | 35.263 | 37.588 | 14 |
| Gazprom-Media | | 77.725 | 33.419 | 35.684 | 14 |
| NTV | Russians elder than 18 years | 70.642 | 19.383 | 20.986 | 9 |
| TNT | Russians between 14 and 44 years | 90.214 | 14.036 | 14.698 | 22 |
| TVCentre | Russians elder than 18 years | 38.635 | 1.844 | 1.904 | 1 |
| Channels independent from mail distributors | | 18.953 | 0.655 | 0.664 | 39 |
| Zvezda TV**** | Russians elder than 29 years | 18.953 | 0.655 | 0.664 | 39 |
| All Channels, in total | | 80.148 | 120.149 | 128.612 | 9 |

* Audience according to which advertising is sold. In 2012, 12 TV channels changed their target audience at the same time.

** Standard unit in terms of selling advertising. It represents the amount of viewers who have seen the advertisement.

*** In September 2012 the U Channel was renamed to U.

**** Since 2013 advertising broadcast by Zvezda has been sold by the alliance Gazprom-Media Holding and Alkazar.

Source: Kwendi Media Audit

In 2012 another issue became evident. *Channel One* was losing its viewers in both the old and new target audiences. In 2011 the daily average share of the broadcaster in the old audience (all viewers aged over 18 years) equalled, according to the data of TNS Russia, 17.4% and in the new audience (viewers between 14 and 59 years) 14.3%. As of year-end 2012, this fell to 16% and 12.8% respectively. That is why it is rather essential that the number of advertising maintenance accessories released by Channel One on air on the federal level, according to *Media Logics*, fell by 32% to 181.8 thousand rating points. The decrease in the channel's potential revenue from the sale of advertisements broadcast on the federal level is established by *Kwendi Media Audit* as 4% to RUB 21.8BN. It is worth mentioning that in terms of revenue *Channel One* preserves its leading position among all TV channels.

Apart from revenues in terms of absolute figures there is another, no less important, fact namely how successfully each broadcaster monetizes its audience. To estimate that, the special parameter named "power ratio", is used. This represents the proportion of the channel in terms of the whole TV advertising market among all viewers elder than 4 years. If this power ratio equals or exceeds 1, the channel, to put it simply, earns money by each viewer. If the indicator is less than 1, then the channel by contrast, monetizes its audience awfully weakly. For year-end 2012, 7 broadcasters appeared unsuccessful in this regard, namely *Zvezda*, *St. Petersburg TV*, *TV Centre*, *Disney*, *Russia 2*, *Peretz* and *REN TV*, according to the calculations of *Kwendi Media Audit*. The highest power ratio, namely 2.09 units, could be observed by analysing the performance of MTV (the channel *PYATNITSA!* has taken over its broadcast frequency).

In the context of disposition between sales houses in 2012, no significant changes could be distinguished. The largest advertising distributor, namely the group *Video International*, supplied 8 federal broadcasters and rendered a so-called consulting service to 5 other broadcasters. Such separation is caused by the amendments of the law "On Advertisement", which took effect in January 2011, limiting the share of sales houses in "distribution of TV advertising" by 35% of all advertising budgets for the federal TV channels which have broadcast within the previous 2 years. Nevertheless despite legal constraints, in 2012 the group *Video International* renewed the expiring contracts with channels of the companies *ProfMedia* (*TV-3*, *Pyatniza* and *2x2*) and *UTH RUSSIA* (*U* and *Disney*) for another 5 years. The alliance *Gazprom-Media Holding* and *Alkazar* were distributing advertising on behalf of three channels: *NTV*, *TNT* and *TV Center*. Only the channel *Zvezda* stayed independent from all main sales houses and did not join the alliance until 2013.

2.6. Switch to Digital Broadcasting

Until quite recently, terrestrial TV in Russia had been developed unsteadily. In 2009, according to the statistics, 98.8% of the population of Russia could obtain one TV channel. 96.57% could obtain two TV channels and 73.2% had access to three TV channels. 56.1% could watch four TV channels and only 33% had five TV channels.

About 1.5M people who live in roughly 10,000 settlements of the Russian Federation, did not have any access to TV-broadcasting³⁶. This problem should be solved by the federal targeted program (hereafter

³⁶ The Federal Targeted Program "TV and radio broadcasting development within 2009-2015."

FTP) “Television and radio broadcasting development within 2009-2015”, which was embraced in 2009. According to this program, by 2015 100% of the population should be able to obtain the first multiplex (range of channels, broadcasting on the same frequency), which according to the Resolution of the President №715-10 should contain all-Russia compulsory public TV channels. These channels belong to the “must-carry package” on the territory of Russia and are free of charge for consumers. The FTP intends to build at least two multiplexes. The second multiplex (10 other channels) should be available for 97.6% of Russians.

The main transmission company for analogue TV, and the only transmission company providing digital TV in Russia, is the *Federal State Unitary Enterprise Russian TV and Radio Broadcasting Network* (hereafter *FGUP RTRN* or *RTRN*). The enterprise possesses 4956 stations of the digital network of the first multiplex. The network of the second multiplex utilises the network of the first one, namely its terrestrial lots, technologic buildings, antennas, mast structures, power delivery systems and monitoring control systems.

RTRN has a contract with regard to communication service with TV broadcasters. The conditions and financial aspects of this contract are commercial-in-confidence, however *CTC Media* estimated the distribution costs of three channels to be as much as roughly \$25M yearly³⁷. As of the year-end of 2012 the revenue of *RTRN* equalled RUB 21.887BN, including RUB 19.844BN from the exploitation of the network of the analogue broadcasting, whereas RUB 2.043BN corresponded to the state subsidies for the costs substitution, bound to the terrestrial broadcasting of all-Russia must-carry public TV and radio channels. Until 2012 the state used to provide *RTRN* with subsidies in terms of the distribution of the first channel multiplex in cities with populations of under 100,000 people, whereas within the years 2012-2015, according to the FTP, it referred to all settlements. The total amount of subsidies according to the FTP is RUB 16BN.

The structure of the second multiplex was determined in terms of a contest at the end of 2012. The channels themselves should pay for the distribution services. According to the conditions of the contest, in 2013 every channel has to pay about RUB 300M to *RTRN*. In 2014 the sum will be roughly RUB 600M, whereas from 2015 onwards, it will increase to RUB 944M, which means about \$30M yearly. Still, *CTC-Media* which was the first to announce the contract agreement with *RTRN* in March 2013, informed that it would pay for each of its two channels as little as RUB 107.8M or about \$3.6M, in 2013. *RTRN* will have determined its stakes for the next period by October 1 2013. *CTC-Media* believes that from 2015 onwards, they might correspond to as much as \$26M. At the same time, the channels will have to pay for the analogue broadcasting too. According to the FTP, the analogue TV broadcasting may be switched off in every region once 95% of the population of the region have purchased TV sets to obtain digital signals.

Due to the huge territories of Russia on one hand and low population density on the other hand, terrestrial TV remained the most general method of TV broadcasting. However, there is currently no data on the amount of consumers of terrestrial TV broadcasts. *RTRN* is currently working on the methods of such an evaluation.

Currently, there are eight regions where digital terrestrial TV has not yet been introduced, namely the Republic of Mordovia, the Republic of Bashkortostan, the Republic of Chuvash, the Oryol Region, the

³⁷ “Multiplex covers the vacancy”, newspaper *Kommersant* from July 29, 2013, <http://kommersant.ru/doc/2243493>

Penza Region, the Saratov Region, the Krasnoyarsk Territory and the Yamalo-Nenets Autonomous District. On the assumption of the fact that these subjects of the Russian Federation were, all in all, inhabited by 16.6419M people on January 1 2013³⁸, it can be concluded that digital TV broadcasts to 88.4% of the population of Russia. The amount of households in the named areas by the end of 2010 (the latest data) amounted to 5.4M people, that is how the digital TV broadcasts for 90% of Russian households (in total, according to the data of the Federal State Statistics Service (hereafter *Rosstat*) there were 54.56M such households).

2.7. Terrestrial TV Channels' Frequency Spectrum

Terrestrial analogue TV is distributed through the channels 1-12 (VCT. 48.5-230 MHz) in VHF band 21-60 VCT (310-710 MHz). One channel occupies 8 MHz for Digital TV and gets distributed on the same channels as the analogue TV. One multiplex also occupies 8 MHz. It was expected that the switch to digital TV would free up some frequencies to enable the further development of new broadcasters and other technologies, referred to as a "digital dividend". However, the frequencies situation is only getting more complicated: it is necessary to find some frequencies to broadcast multiplexes whilst continuing to broadcast analogue channel versions.

The frequencies which used to be occupied by TV transmission, are actively submitted to the operators of LTE (technologies of mobile connection of the 4th generation), in accordance with radio frequencies. In 2011 the State Committee for Radio Frequency Allocations (hereafter *GKRCH*) requested the Federal Supervision Agency for Information Technologies and Communications arrange a contest for four complexes of frequencies to develop LTE in the range of 790-862 MHz (61-69 VCT). The competition took place in summer 2012. The winners will also be able to get the frequencies 720-750 MHz and 761-791 MHz and others in the range of 694-862 MHz (49-69 VCT), while fulfilling the responsibilities for financing and arranging organisation and technical events on a licenced territory, which foresees a possibility of common use of certain RF bandwidths or of its release, including conversions of RF spectrum, refarming, redirection of radio frequencies among users and other actions in order to release frequency resource³⁹. Adopting some certain decision, the regulator takes into account that in 2015 the International Telecommunication Unit (hereafter *ITU*) intends to establish this spectral region to develop a dynamic radio communication for the territory which contains Russia.

In early April 2013 the Ministry of Communications published a project about the use of radio frequencies. According to this project, it suggests that it would be reasonable to rebuild the ranges 703-733 MHz и 758-788 MHz. in order to structure the networks of LTE FDD. Referring to this point, the National Radio Broadcasters Association (hereafter *NAT*) asked the Minister of Telecommunications Nikolay Nikiforov and the prime-minister Dmitry Medvedev not to make changes about the plan of the radio frequency use. In their opinion, this endangers the entire implementation of the FTP, which foresees the usage of this range in order to distribute TV channels: elimination of frequencies causes the fact that it becomes impossible to introduce HD TV and build additional

³⁸ Russian annual abstract of statistics 2012, http://www.gks.ru/bgd/regl/b12_13/Main.htm

³⁹ Attachment №4 to the decision of the State Committee of Radio Frequencies, from September 2011, №11.12.02

multiplexes which are necessary for the development of the regional TV and high-definition TV⁴⁰. At the time of this research, there was no final decision for any changes in terms of this project.

The channels 21-61 are allocated for the multiplexes. Thereby, within the lot of the channels 49-61, 15% acquisitions were accomplished for the first multiplex, whereas the second multiplex got as much as 30% acquisitions. Certain projects about the third multiplex, containing a TV channel in the format of HDTV are already ready for implementation. However, the situation about frequencies is more complicated in this case: currently, only about 50% of channels belong to the must-carry package, whereas the remaining 50% will become available only after the analogue TV has been switched off. *RTRN* is presently preparing a program in order to switch off the analogue TV. In frames of the project of the resolution “On establishment of the order to abolish terrestrial analogue TV broadcasting in the Russian Federation” introduced in September by the government, there appeared another new criterion to determine when analogue TV should be switched off. It reflects the amount of households whose only way to obtain a TV signal is by the analogue format and amounts to less than 5% out of all households. That is why *RTRN* will not take into account the households which do not use terrestrial TV. The suggested date for switching off the analogue TV signal appears in the document and is given as July 1 2018.

It is impossible to switch on all TV channels which belong to multiplexes in the format of HD. One multiplex can hold 10 normal TV channels or four HD channels, which means in order to switch on 20 TV channels using this format it is necessary to use five multiplexes. However, even after the frequency has been released, it will still not be possible in certain regions to switch on more than three multiplexes.

2.8. Development of Multiplex

According to the resolution of the President of the Russian Federation, *Channel One, Russia 1, Russia 2, Russia K, Russia 24, NTV, St. Petersburg TV* and *Karusel* became parts of the first multiplex. In 2012 *Public TV of Russia (PTR)* joined them. In March 2011 it was decided to give up the space of three radio stations of the *All-Russia State Television and Radio Broadcasting Company*, which appeared in the original list, in favour of a regional TV channel. In April 2013 the President of Russia Vladimir Putin signed a resolution which added the *Moscow Channel TV Centre* to the must-carry package.

The structure of the second multiplex was determined by the contest at the end of 2012. TV Centre became one of the winners. At the end of July 2013, the Federal Supervision Agency for Information Technologies and Communications published conditions of the contest for the position occupied by the channel. The results will be known on September 25 2013 in *ProfMedia* (two channels – *Pyatniza* and *TV-3*), *Komsomolskaya Pravda*, *O2TV* as well as orthodox channel *Spas* of the Moscow patriarchy of the Russian Orthodox Church⁴¹. 19 channels participated in the last contest.

Originally the FTP foresaw the structure of the third multiplex as being available to the majority of the Russian population for free. However later, another statement was included by the FTP, assuming that

⁴⁰ “TV of high density”, newspaper *Kommersant*, №74 from April 26, 2013, <http://www.kommersant.ru/doc/2179179?isSearch=True>

⁴¹ “Multiplex covers the vacancy”, newspaper *Kommersant*, from July 29, 2013, <http://www.kommersant.ru/doc/2243493?isSearch=True>

“by the end of the implementation of the program, 97.6% of the population of Russia should be able to obtain 20 free-to-air TV channels”, which means two multiplexes. However, the intentions as to the structure of the third multiplex have been reserved. Currently, it is supposed that it will be formed by four municipal TV channels and one channel in the format of high definition TV. Several contests for the third multiplex are planned separately for every settlement. Participating companies have rights to attract TV and radio broadcasting organisations of federal distribution, which were involved neither into communication partnerships as communication partners nor into the structure of the second multiplex. Not long ago, *All-Russia State Television and Radio Broadcasting Company* decided to create one regional channel for the third multiplex in every region.

Another weak point of the program was the necessity to maintain the analogue broadcasting together with the digital broadcasting until the significant part of the population of the region has bought TV sets which can receive digital signals. The FTP, which was implemented during the crisis (within the years 2008-2009), did not plan any subsidies for the population of Russia with set-top boxes. The situation got even more complicated after the switch of the broadcasting standards. Originally, the program foresaw that the digital TV in Russia would develop as DVB-T. However in September 2011 they switched to DVB-T2. According to the comments of officials, this can make it possible to increase the amount of broadcast information and improve its quality, as well as expand the range of offerings, rendered on the base of terrestrial networks. In spring 2012, broadcasting on DVB-T2 started in Kasan, Moscow and St. Petersburg. A few users actually lost the ability to watch TV as their TV sets could not receive the signals in their new form. TV sets and special set-top boxes supporting DVB-T2 were at that time not available through retailers of household goods. Out of 4605 TV set models available through *Yandex.Market*, as few as only six supported DVB-T2⁴². The format of compression, MPEG-4 chosen by the creators of the FTP, originally attracted criticism as during 2008-2009 when the program had to be established, TV sets and TV set-top boxes with compression format MPEG-2 had the best distribution. At the same time, MPEG-4 enabled many channels to be put into one multiplex. Little by little, all problems about users’ technical needs were solved.

STRUCTURE OF THE FIRST MULTIPLEX

| | CHANNEL | TV GROUP |
|---|-------------------|--|
| 1 | Channel One | Channel One, World network |
| 2 | Russia 1 | All-Russia State Television and Radio Broadcasting Company |
| 3 | Russia 2 | All-Russia State Television and Radio Broadcasting Company |
| 3 | NTV | Gazprom-Media Holding |
| 5 | St. Petersburg TV | National Media Group |
| 6 | Russia K | All-Russia State Television and Radio Broadcasting Company |
| 7 | Russia 24 | All-Russia State Television and Radio Broadcasting Company |

⁴² “Digital TV began with hashes”, newspaper *Kommersant* from March 26, 2012, <http://www.kommersant.ru/doc/1901126>

| | CHANNEL | TV GROUP |
|----|-----------|---|
| 8 | Karusel | OJSC Channel One. World Network. All-Russia State Television and Radio Broadcasting Company |
| 9 | OTR | -- |
| 10 | TV Centre | TV Centre Television and Radio Company |

STRUCTURE OF THE SECOND MULTIPLEX

| | CHANNEL | TV GROUP |
|----|------------|--|
| 1 | REN TV | National Media Group |
| 2 | CTC | CTC Media |
| 3 | Domashny | CTC Media |
| 3 | Sport | All-Russia State Television and Radio Broadcasting Company |
| 5 | Sport Plus | NTV plus, Gazprom-Media Holding |
| 6 | Zvezda | -- |
| 7 | MIR | -- |
| 8 | TNT | Gazprom-Media Holding |
| 9 | U | UTH RUSSIA |
| 10 | * | |

* Will determine summarizing the results.

2.9. Regional Television

The operating system of regional television in Russia in 2012 is preserved in its previous form. Regional broadcasters tend to have licenses to broadcast in their regions, and their relationship with the federal channels are mutually beneficial: the federal channels have an opportunity to broadcast in a particular region, broadcasters both fill their viewing schedule with federal programs and have time slots to broadcast local news, programs and advertising. According to the president of the National Association of Broadcasters, Eduard Sagalaev, there are more than 50 local channels with full private broadcasting in Russia.⁴³

⁴³ http://www.vedomosti.ru/politics/news/11389991/knopka_sderzhek_i_protivovesov

According to RACA the volume of regional advertising, in other words advertising on local and federal channels, remained at the previous year's level and amounted to 22% of the total television advertising in 2012.

The most discussed topic of the last two years has been the participation of regional channels in realization of the digitalization program in Russia, for which a place in two first multiplexes was not found, although it was previously assumed that ROSKOMNADZOR would hold a competition for local channels in the first multiplex in each region. A competition for participation in the third multiplex which should include municipal (regional) channels has not yet been held.⁴⁴ At the same time, in accordance with the Resolution of the President of the Russian Federation №367 of April 20 2013,⁴⁵ the creation and launch of a regional public TV channel in each subject of the Russian Federation will be implemented by VGTRK, which has the right to involve for this purpose regional and municipal broadcasting organizations, as well as regional and municipal TV channels (TV programs). In particular, this decision can be explained, as VGTRK which has a strong presence in each region is able to fill the ether with quality content, unlike the vast majority of local TV channels.

2.10. The Pay TV Market

Currently, apart from *RTRN*, terrestrial federal channels are distributed by operators of Pay TV: cable, satellite and IPTV operators. There is no register of operators of Pay TV. The register of the Federal Supervision Agency for Information Technologies and Communications contains over 13,000 applications for Pay TV, 2,515 applications for the services of communication for the purpose of terrestrial cable broadcasting and 5,336 applications for communication services for the purpose of terrestrial broadcasting. However it is not possible to draw any conclusions from this data, as one company might have several applications and it might be represented by several legal bodies in the range. Apart from that the register might contain old, and therefore irrelevant, information. Evaluation and classification of operators of Pay TV becomes more complicated as in the same household the inhabitants might watch TV using different methods at the same time, and one operator can render a service using different technologies.

According to the data of the research centre *iKS-Consulting*, as of year-end 2012, over 30.3M users of Pay TV were registered on the territory of Russia. Over 70% of the market was occupied by five players: *National Satellite Company (NSC. brand Tricolor TV*, 29% of the market, and taking into consideration only paying users), *Rostelecom* (22%), *MTS* (10%), *Air-Telecom* (8%) and *Akado* (4%).

NSC entered the market comparatively recently in mid-2000, but due to its chosen business model (it offers a basic package of terrestrial channels free of charge) it very quickly won a significant subscriber database. *NSC* has begun to promote the paid package since May 2007 and has since introduced other additional paid-for services, namely HD channels. As of year-end 2012, the subscriber base of *NSC* was 11.9M households. According to this indicator, the operator ranked No.1 in Europe, outranking the British *BskyB*.

⁴⁴ http://rtrs.ru/press_center/news/14751/

⁴⁵ Newspaper Rossiyskaya Gazeta [Russian Newspaper], N 87, 22.04.2013

The next player *Rostelecom* also built up its subscriber database by means of social subscribers. At the beginning of 2011, the company purchased *National TV Communications (NTK)*, which owned the biggest operators of the cable TV in Moscow and St. Petersburg, *Mostelecom*, and Telecompany *St. Petersburg cable TV*. The general model of these companies consists of subscribers of so called extended social packages of the channels. The brand *Onlime* (digital TV in Moscow) switched from *NTK* to *Rostelecom* after *Rostelecom* acquired *Svyazinvest*. IPTV, a project of its daughter companies, switched too.

THE MAIN PAY TV OPERATORS

| OPERATOR | BRAND | YEAR OF FOUNDATION | BROAD-CASTING METHOD | NUMBER OF HOUSEHOLDS; M | NUMBER OF USERS IN 2012; M PEOPLE | ARPU IN 2012. RUB |
|-----------------------------------|---|--------------------|----------------------|-------------------------|-----------------------------------|-------------------|
| National Satellite Company | Tricolor TV, HD platform | 2005 | SAT | 54*** | 11.9 | 726 |
| Rostelecom | Rostelecom | 1993 | CAB. IPTV | 16.4** | 6.6 | 117 |
| MTS | MTS, Komstar, StreamTV, Multinex, TVT | 1993 | CAB | 11.7 | 2.938 | n.a. |
| ER-Telecom Holding | Dom.ru | 2001 | CAB | 8.4 | 2.26 | 194 |
| Akado | Akado Telecom | 1995 | CAB | over 3 | 1.24 | 110-450 ***** |
| Orion Express | Continent TV, Vostochniy Express, Telekarta | 2005 | SAT | 54*** | 1.05 | 70-260 ***** |
| Vimpelcom | Beeline TV | 1992 | IPTV | n.a. | 0.875 | n.a. |
| Megafon | NetbyNet | 1993 | IPTV | 2.6 | 0.7 **** | n.a. |
| NTV plus | NTV plus | 1996 | SAT.IPTV | 54*** | 0.6 | 376 |

* Taking into account National Telecommunications and other “daughter companies”.

** Number of households connected to fiber-optic network, where the service of IPTV is available.

*** The company renders services of satellite TV.

**** Roughly 700K users FTTB (Internet, TV, telephony).

***** Depends on projects. The company does not reveal the total ARPU.

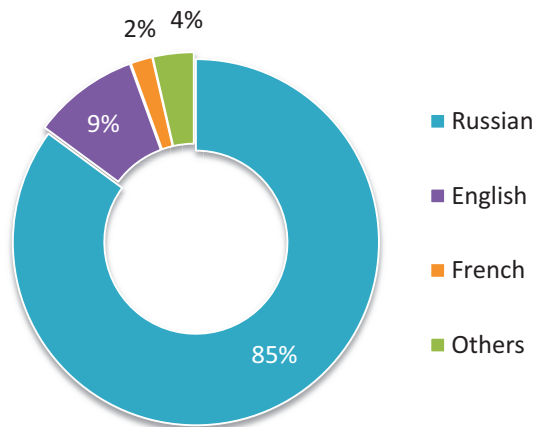
MTS is also developing several technologies such as cable, analogue and digital TV, and IPTV. The company was actively purchasing operators of Pay TV, which includes the acquisition of such big players as *Komstar-OTS* and *Multregion*. Therewith, the consolidation process on the market of Pay TV has not yet been accomplished. Among big assets put up for sale the group of companies *Akado* should also be mentioned. In 2010 negotiations about the purchase were led by *Zentrtelecom* (since April 1 2011 appended to *Rostelecom*, one year later to the one of the biggest mobile operators of Russia *MegaFon*). Lately, *Air-Telecom* and *MTS* joined the contenders.

2.11. The Offer of TV Channels on Pay TV Platforms

In total, according to the data of KVG Research, nine operators of Pay TV who were analyzed (*National Satellite Company*, *Rostelecom*, *MTS*, *ER-Telecom Holding*, *Akado*, *Orion Express*, *Vimpelcom*, *MegaFon* and *NTV plus*) own about 400 unique channels, among them approximately 50 are high definition (HD) channels. 85% of these TV channels use Russian as the language of broadcasting.

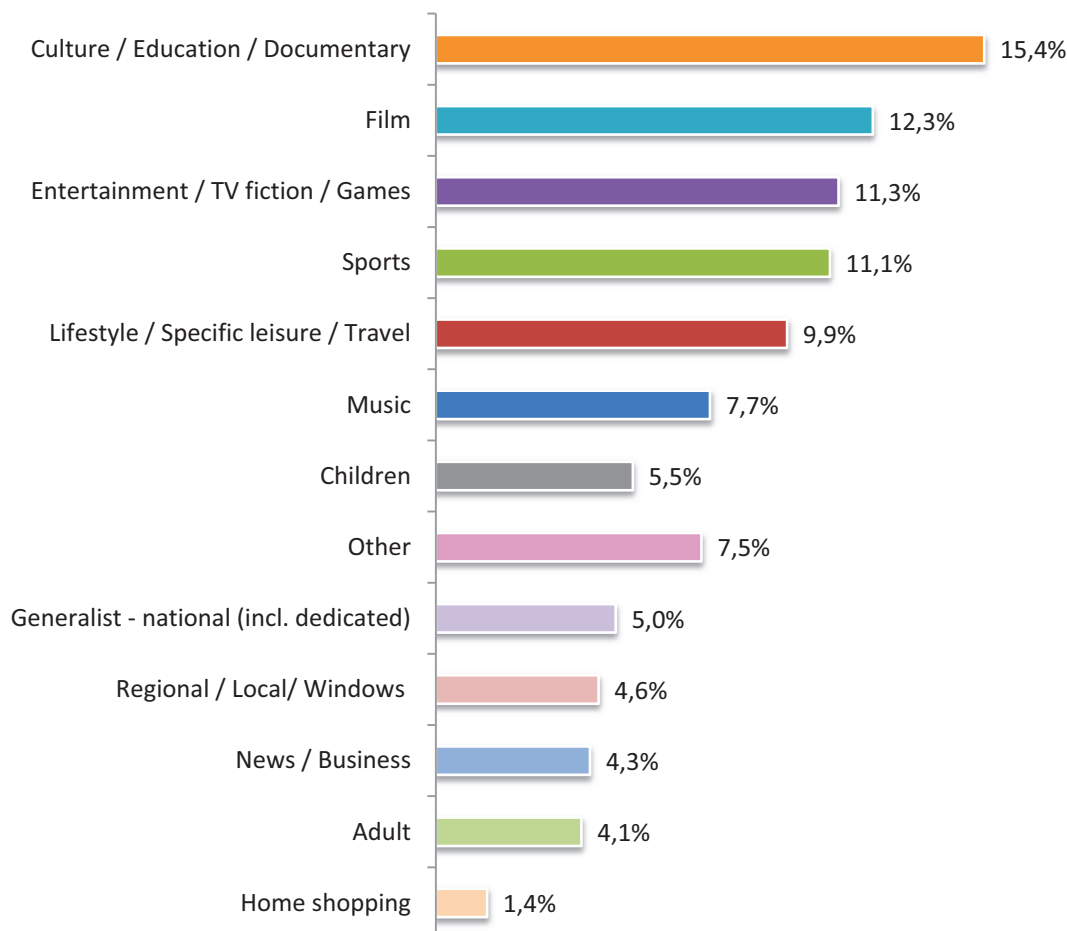
In relation to genre, the most significant amount of unique TV channels (15.4%) refers to documentary and education, while 12.3% are channels transmitting films, followed by entertainment and sports TV channels.

BREAKDOWN OF PAY TV CHANNELS BY LANGUAGE OF BROADCASTING
(by the amount of titles)



Source: KVG Research, 2012

GENRE DISTRIBUTION OF TV CHANNELS FOR PAY TV
(by the amount of titles)



Source: KVG Research, 2012

2.12. Mobile TV

Mobile TV services in Russia are provided by three leading mobile service providers: *MTS* (as of year-end 2012, 71.2M mobile users), *Megafon* (62.6M) and *Vimpelcom* (56.11M). *MTS* calls this service Mobile TV, whereas *Megafon* and *Vimpelcom* refer to it as Video-portal. However, this service is not very popular: only 500,000 of *Megafon* users use the service, which is 0.8% of its total mobile users (other companies do not share this data).

In Russia, several attempts to develop mobile TV in the format of standard DVB-H have been made, but have turned out not to be successful. During 2007-2009, in Moscow three networks using the DVB-HB format were implemented by the following companies: Digital TV and Radio Broadcasting (its “daughter company” is *System Mass Media*, which affiliated with *MTS*), *Dominanta* (which used to be a “daughter” of *Vimpelcom*) and *Kentavr* (which belonged to *Yota Group*). However, during the testing of the network, it turned out that they experienced difficulty in broadcasting many of the channels belonging to the *Mostelecom* network. The communication providers themselves were not really

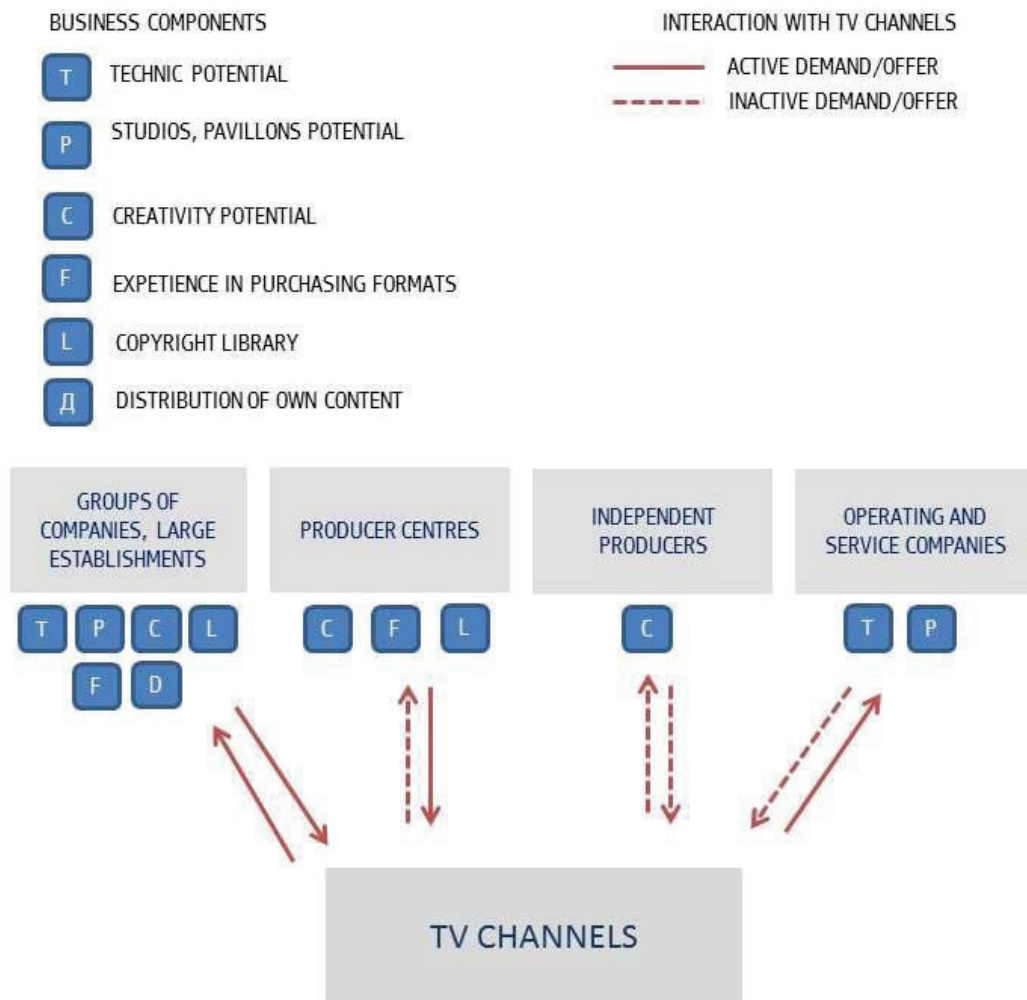
interested in the development of the standard, as due to the lack of the necessary equipment supporting DVB – H the potential success of the technology was questionable.

3. Structure of the Russian TV Production Market

3.1. Typology of Production Companies

On the Russian market of TV production, four main types of TV content production companies with the most remarkable performance can be distinguished. First of all, these are big companies which proved their market position a long time ago, or groups of companies which possess a vertically integrated business. They have all the necessary technical and creative components at their disposal and are able to render all services. In most cases, these companies hold long-term relationships with channels and they try to diversify their risks, performing their production in various genres or for different TV channels; sometimes they even follow both directions.

SEGMENTATION OF PRODUCERS OF THE TV CONTENT*



* TV content contains animation and feature forms and genres of TV products.

Source: KVG Research

The second type of companies is those consisting of production centres which do not have their own technical base but rely on their creative and organisational components. As a rule, these companies

establish good relations with TV channels and are willing to manage the period of pre-production, preferring to give away the production itself to technical or service companies. Therewith, many production centres are interested in setting up their copyright library and they try to purchase foreign formats very actively.

The third player is represented by independent producers whose business is grounded on one-off projects. Some technical and service companies, which possess all necessary production equipment and sometimes even studios, occupy a significant part of the market. They are often contact persons for TV channels to produce certain projects upon internal story layouts. These companies work for production centres and independent projects. In some cases, they even grow to significant market participants of full circle.

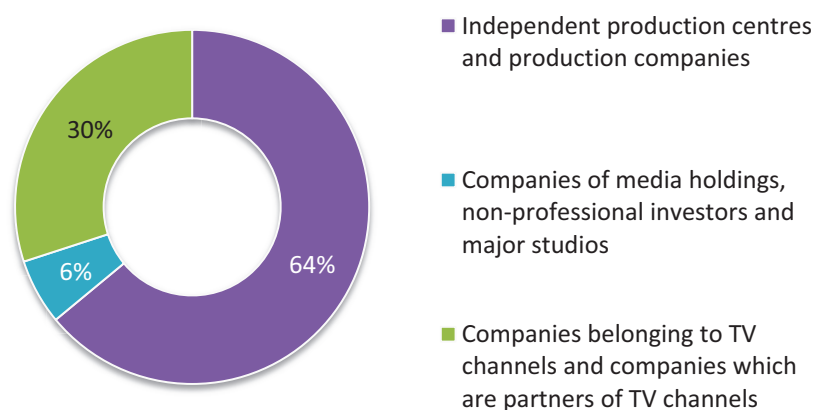
Operating and service companies which have all necessary equipment, sometimes even their own studios, occupy a significant market share and represent the fourth player. Sometimes TV channels ask them to produce projects according to developed scripts. Apart from that, these companies are involved in production for production centers and independent producers. Sometimes they turn into big players of the full service market.

3.2. Segmentation of Russian TV Content Production Companies

All in all, in 2012, six leading terrestrial TV channels of Russia (*Channel One, Russia 1, NTV, CTC, TNT* and *REN TV*) were associated with nearly 370 production companies producing premiere content. Most of them (64%) came to independent production centres and production companies.

30% of TV production companies can be called TV channel companies or are partners of TV channels, which means that they produce one or several projects exclusively for one TV channel over a few years.

SEGMENTATION OF RUSSIAN TV CONTENT PRODUCTION COMPANIES IN 2012



Source: KVG Research, 2012

6% of production companies producing content for the six leading TV channels belong to either media holdings, companies owned by non-professional investors or production centres which belong to major foreign studios.

3.3. Interrelations of Russian Production Companies and TV Channels

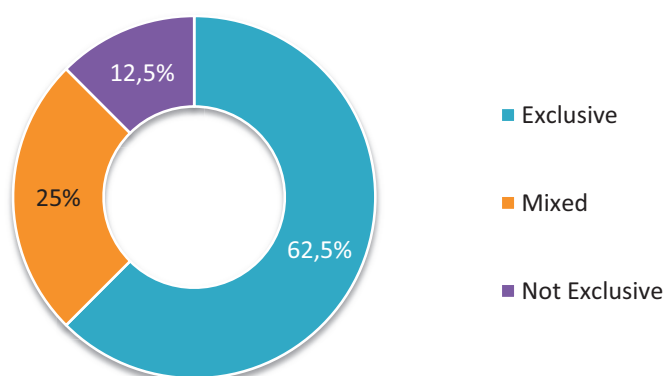
For a long time, six leading TV channels, namely *Channel One*, *Russia 1*, *NTV*, *CTC*, *TNT* and *REN TV* were the most active purchasers of premiere TV series, TV films, feature films, animation programs and documentary projects. However within the last three years some other channels, namely *St. Petersburg TV*, *TV Centre*, *Peretz*, *Domashniy*, *U*, *TV3* and *MTV* have begun to perform actively, producing TV content themselves.

Due to different historic and economic factors in how the Russian market of production companies was built up, most participants did not have a proven sales pattern of previous products and lacked the ability to finance their projects on their own. The parallel intention of some Russian TV channels to accumulate the maximum amount of rights for purchased premiere projects made producers try to set up their products mainly upon certain requests of certain TV channels.

Many production companies (62.5%) work with the six leading Russian TV channels, rendering their content to TV channels and providing them with exclusive rights. That means that 100% of all rights for the provided content belong to the channel for the whole time of their validity wherever the content is broadcast. Alternatively, the production companies sometimes work with channels according to the mixed scheme (25%), which means that in accordance with content type and the TV channel which buys the product, the corresponding content can either be rendered with exclusive rights or for some limited period of time and for a limited number of screenings.

Only 12.5% of production companies sell their content without the exclusive basis but either for a definite limited period of time or for some certain limited period with limited number of screenings.

CONDITIONS FOR TRANSFER OF CONTENT RIGHTS IN 2012



Source: KVG Research, 2012

The margin of production companies depends on various factors:

- content type itself – as a rule, TV series achieve a much higher margin than TV films and the sum seldom depends on the number of episodes. Therefore taking the number of episodes into account, a longer TV series gains a lower margin;
- conditions for transfer of content rights – production companies get the highest margin in cases where the content rights are rendered for the whole period of their validity and all over the world. Certainly in this case the margin can reach its maximum amount;
- in certain cases, if production of some products represents a so called image project for the production company, the corresponding margin might equal zero, which means that the production company only manages to reach break-even. Some respondents commented that their margin was negative if the production company kept all the rights and they intended to cover the corresponding losses and make profit on other territories and platforms.

In total, for the overall market the average margin production of production companies producing series in 2012 was 15-17%, according to the data of *KVG Research*.

3.4. Russian Formats on Foreign Markets

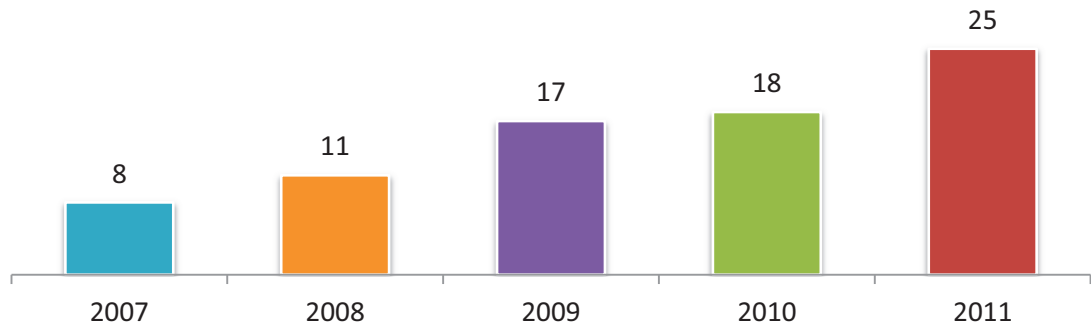
During the 2000s foreign markets began to adapt Russian formats. The first adapted versions of Russian TV projects were Armenian and Israeli productions of *Shto? Gde? Kogda?* [What? Where? When?], which went on air on TV channels *Armenia TV* and *Israel Plus* in 2002.

For a long time, these programs were the only adaptations of Russian formats on air on foreign TV channels. By 2007 they were joined by the Azerbaijani version of *Shto? Gde? Kogda?*, Kazakhstani version of *Zhdi menya* [Wait for me] on air on *Channel One Eurasia*, the program *Duel* according to the format of *K baryeru* [Duel] on air on *TRK Ukraine*, as well as *Comedy Club Ukraine* and *Zhdi menya Ukraine* on air on *Channel Inter*.

From 2007 until 2010, the amount of adapted Russian formats on air on foreign TV channels was increasing gradually due to many versions of two projects - *Zhdi menya* and *Shto? Gde? Kogda?* - in different countries of the CIS and the Baltic States. Out of 31 projects adapted according to Russian formats which went on air in the countries of the CIS within 2007-2011, 16 projects represent adaptations of the formats *Zhdi menya* and *Shto? Gde? Kogda?*, broadcast in Ukraine, Kazakhstan, the Republic of Moldavia and other CIS countries.

Throughout five years, the states of the CIS used to be the main territory where adaptations of Russian formats were broadcast. Over 75% of Russian adaptations were broadcast by TV channels on these territories, namely 29% came to Ukraine and 26% to Kazakhstan. In the Baltic States, such as Latvia, Lithuania and Estonia, only one project was broadcast. That was a local version of the program *Zhdi menya*.

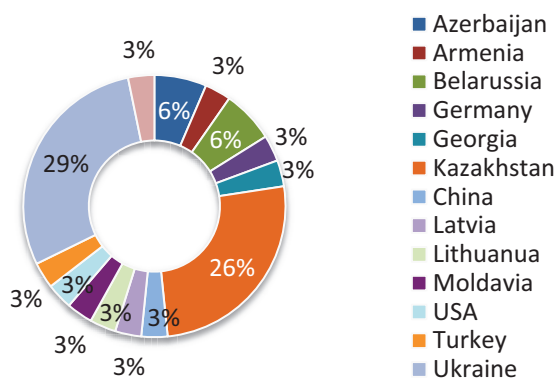
ADAPTATIONS OF RUSSIAN FORMATS ON AIR ON FOREIGN TV CHANNELS FROM 2007 UNTIL 2011



Source: KVG Research, 2007-2011

Only certain adaptations of Russian formats were broadcast in Western Europe, America and Asia. Since the 2000s, only three projects have been broadcast there: *Million Dollar Mind Game* set according to the format of *Shto? Gde? Kogda?* has been broadcast on the American channel ABC; *KaySinTzu* performed according to the format *Smeshariki* went on air on the Chinese channel CCTV and *Ein Haus voller Töchter* was scheduled for the German channel *Das Vierte*, according to the format of the original Russian sitcom *Papini dochki* [Dad's daughters].

RUSSIAN ADAPTATIONS IN THE WORLD BETWEEN THE YEARS 2007-2011 (by titles)



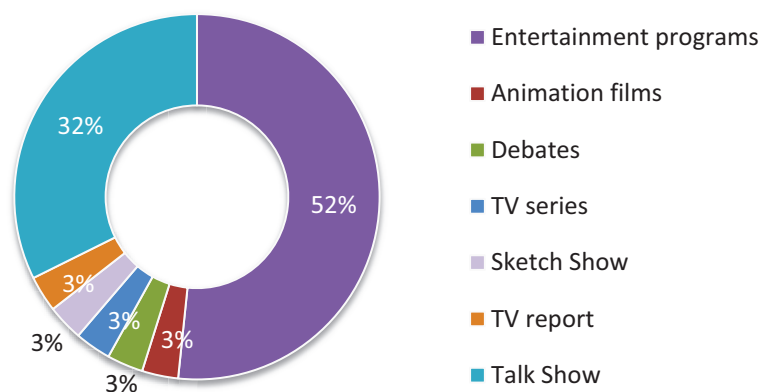
Source: KVG Research, 2007-2011

Among the most popular Russian formats, entertainment programs and talk shows make up 80% of adaptations. In the main export countries of Russian formats, Ukraine and Kazakhstan, an increasing national content can be observed within the last years. Thereby, a significant part of the population is represented by Russian native speakers; the legislation permits broadcasting of a certain volume of the content on air in Russian.

For example, as the Ukrainian law “On TV and radio broadcasting” states, the broadcasting volume in foreign languages may make 35% of the total volume of the daily broadcasting on Ukrainian TV channels.

In Kazakhstan, the law “On languages in the Republic Kazakhstan” also allows broadcasting in foreign languages. But the volume of TV programs in the state language within each six hour time period, counting from midnight local time, must not be smaller than the total volume of programs in other languages. That is how it is more profitable for these countries not to adapt Russian formats but to buy ready made content.

GENRE STRUCTURE OF RUSSIAN ADAPTATIONS BETWEEN THE YEARS 2007-2011 (by titles)



Source: KVG Research, 2007-2011

3.5. Foreign TV Distribution Companies on the Russian Market

From 2005 to 2012, some of the world's largest international production companies began to actively penetrate the Russian national content market. In those years, five purchase deals were accomplished, as international players acquired Russian production companies.

3.5.1. Zodiak Media

Swedish *Zodiak Media* entered the Russian market in 2005. *Zodiak Television* which is part of the holding company, bought 34% of *TeleALLIANCE Media Group* which was founded by Alexander Levin formerly general producer at *NTV* – one of Russia's largest television channels. In 2007 the company increased its share in *TeleALLIANCE* to 51%, with the option plan.

At present, two companies are part of *TeleALLIANCE* holding: *TeleFORMAT*, specialising in production of television shows (*Federal'niy Sudya* [Federal Judge] on *Channel One*), as well as documentary drama and documentaries, and *TeleROMAN*, mainly focusing on television serials (*Obruchalnoe Kolzo* [Wedding Ring] and *Ponyat. Prostit* [Accept. Forgive] on *Channel One*).

In 2006 *Zodiak Media* continued its expansion into the Russian market by acquiring a controlling interest of *Dixi Media*, headed by producer Yefim Lubinsky and specialising in the production of TV series. One of this company's most popular projects was *Glukhar* [Capercaillie] which first aired on *NTV* in 2008. In 2007 *Zodiak Media* entered the Ukrainian market via *Dixi Media*. In Ukraine, *Dixi*

Media acquired 75% of *YS* which is the major Ukrainian production studio, specialising in entertainment shows, television series and feature films.

Finally, in 2010 *Zodiak Television* created a new company in Russia under its own international *Mastiff* brand. Its projects are adapted for *Zodiak Media's* formats as well as other companies' formats. Moreover, *Mastiff* is *Zodiak Media's* formats distributor in Russia. The company is headed by producer Anton Goreslavsky who in 2012 became a shareholder and obtained 25% of the company.

3.5.2. Sony Pictures Television International

In 2006, another international market player entered Russia, namely *Sony Pictures Television International* (hereafter *SPTI*). It acquired a controlling interest of 51% of *LEAN-M Productions Ltd*, famous for its original television series *Soldati* [Soldiers] for *REN TV* and a number of other TV series and sitcoms for major television channels.

At the time that the deal was signed, shares in *LEAN-M* were distributed equally among the three founders: producers Vyacheslav Murugov, Timur Weinstein and Oleg Osipov. The company value was estimated at \$25-30M⁴⁶.

However in 2008 Vyacheslav Murugov, one of *LEAN-M's* co-founders, became General Manager of *CTC* and decided to sell his shares to *SPTI* in 2009, claiming he wanted to avoid a conflict of interest (*LEAN-M* were cooperating with *CTC* among others at that time). Thus, *SPTI* increased its share in the Russian company up to 67%.

Two years later, the two other shareholders, Timur Weinstein and Oleg Osipov, sold their shares. At present, *SPTI* owns 100% of *LEAN-M*. Besides *LEAN-M*, *SPTI* has a separate country head office, responsible for the format and final product distribution.

3.5.3. Endemol

Endemol entered the Russian market in 2010, becoming a partner with former *LEAN-M's* head Timur Weinstein. Timur Weinstein had quit his General Producer job at *LEAN-M* back in 2009, two years before he sold his shares. This was due to him wishing to focus on his own business within *WeiT Media*.

WeiT Media was founded in 2009 and a year later Timur Weinstein became partners with *Endemol*, acquiring a controlling interest in the company. The value of the 51% of *WeiT Media* was estimated at \$25-30M⁴⁷.

At present, this production company focuses on original shows, as well as adaptations of various projects created by *Endemol* and other Russian companies. It also distributes *Endemol's* format within Russia and the CIS.

3.5.4. BBC Worldwide and Talpa Media

In 2009 *BBC Worldwide* was planning to enter Russia's television production market. It was considering acquisition of a block of shares (25-30%) of the Russian *MIR REALITY PRODUCTION*, producer of *Zvany Uzhin* [A Dinner Party], *Drugaya Jizn* [Another Life] and *Pravila S'ema* [Rental Rules].

⁴⁶ "Sony Pictures fit into the Russian format", newspaper *Kommersant*, from April 9, 2006

⁴⁷ "WeiT Media merged with Endemol", newspaper *RBC daily*, from March 2, 2010

This deal was due to become part of BBC's strategy of establishing a number of own companies in several countries including India, Australia and the US. However the British Parliament Committee suggested that BBC stop investing in overseas production and should favourable market conditions occur they should leave the already invested projects, so the deal was never signed.

However *MIR REALITY PRODUCTION* became a distributor of *BBC Worldwide* in Russia and its partner in producing new television projects based on BBC's formats.

A year later *REALITY WORLD PRODUCTION* signed a deal with *Talpa Media*, which acquired 25% of the company. The *REALITY WORLD PRODUCTION* share in the company was estimated at \$2-6.5M⁴⁸.

3.5.5. FremantleMedia

FremantleMedia attempted to enter the market independently without a local television production partner in this period. In 2007 it opened its Russian office and produced *Zapretnaya Lyubov* [Forbidden Love] TV series for *REN TV*. However it never aired and was the first and the last Russian made project for *FremantleMedia*⁴⁹.

3.5.6. Walt Disney Company

In 2006 the *Walt Disney Company* opened its Russian office for its CIS branch focusing on all activities in Russia and the CIS, including sales of the final product and formats, as well as the broadcast of the *Disney Channel*, launched in 2011.

The company attempted to launch the channel back in 2008. Back then the *Walt Disney Company* planned to launch a television channel on cable networks in Moscow and broadcast frequencies in the regions. It tried to negotiate a deal to buy shares in *Media 1 Holding*, managing 30 television stations in Russia. Ivan Tavrin was the company's chief executive. The Federal Antimonopoly Service refused to approve the deal, so it fell through and the channel was not launched.

In 2010 however, the head of *Media 1* Ivan Tavrin, and the owner of the *AF Television Holding* (*Semyorka* and *MUZ* channels) Alisher Usmanov pooled their assets together into the new *UTH Russia*, established on an equal footing. In 2011 the *Walt Disney Company* bought 49% of the *Semyorka Channel* from *UTH Russia*, and the *Disney Channel* was launched using its frequency. The deal value was estimated at \$300M⁵⁰.

3.5.7. HBO

In 2012 *HBO* and the Russian company *Amedia* together with *Access Industries* began to discuss conditions of partnership. This led to the establishment of a common company which had to launch a new channel branded as *HBO* by the end of 2012. As a result, as announced in May 2013 *Amedia* performed the project on its own, having received exclusive rights for distribution of *HBO* TV series in Russia, including *Igra prestolov* [Game of Thrones], *Sluzhba novostey* [Newsroom], *Devochki* [Girls], *Nastoyashaya krov* [True Blood], *Podpolnaya Imperiya* [Boardwalk Empire].

⁴⁸ "The Dutch discovered the Reality World", newspaper *Kommersant*, from May 21, 2010

⁴⁹ "Fremantle series", newspaper *RBC daily*, from February 14, 2007

⁵⁰ "Disney got a channel", newspaper *Kommersant*, from October 28, 2011

4. ANALYSIS OF FREE TO AIR CHANNELS SCHEDULES

4.1. Introduction

The following research chapter contains the analysis of the main features of the TV content market in Russia which has been an underexplored segment within the chain *TV channel – TV product Production Company – Audience – Media Advertising Market Operator*. The aim of the research was to undertake a detailed analysis of the content of the six leading Russian TV channels: *Channel One, Russia 1, NTV, CTC, TNT* and *REN TV* within the period January 1 2012 to December 31 2012.

The research places emphasis on the analysis of the foreign content, distinguishing European projects. *KVG Research* focused on such parameters as share of foreign and Russian content, total performance of each analyzed TV channel, as well as shared distribution of rerun and premiere content, its type and genre breakdowns and many others.

Actual broadcast time of all six TV channels was taken as a basis, thereby, own methodology of *KVG Research* were applied: level-structured database of *TV RETE*, which enables to backtrack information within different time intervals as for different categorisation level up to niche segments or single broadcast projects.

4.2. Methodology: Definition of Criteria

4.2.1. Premiere and Rerun Content

In the report, “premiere content” shall be regarded as content broadcast for the first time on all relevant terrestrial channels. Information programs which, although traditionally aired on most analysed TV channels, are technically considered to be premiere, are discussed only at the very beginning of the report, according to total broadcast volume and its classification. The programs which were broadcast on several TV channels at the same time, such as *Novogodnee Obrashhenie Prezidenta Rossiyskoy Federazii* [the President of the Russian Federation’s New Year Speech], broadcasting of religious events and others, were not analysed in terms of the field of research focusing on premiere content. Live transmissions, including sports events, concerts, awards and other types of TV non-produced content were not taken into consideration in terms of the given research either.

The rerun content shall be regarded as content which is broadcast more than once.

4.2.2. Original and Adapted Content

Adapted content involves projects which were produced for the Russian TV channels. In addition, the corresponding rights for them are officially purchased. All data for the adapted projects is confirmed by at least one transaction party: the right holder, the format purchaser or the adaptation producer in Russia.

Original content includes TV products produced as screen versions, or according to certain other criteria, developed on the territory of Russia and produced only by Russian companies, whether they are the TV channels themselves, independent production companies or independent producers.

4.2.3. Identification of the producer

The producer shall be regarded as a company which produced one or other premiere content or took part in its development, provided it is named within the titles. If no company is mentioned within the titles, KVG Research states the name of the TV channel as the project producer.

4.2.4. Differentiation of Categories and Types of TV Content

KVG Research points out the following types of TV content: TV series, TV films, education programs, talk shows, documentary projects, programs for children, feature films, information programs, news, morning entertainment programs, sports events and concerts.

The main categories were subject to additional internal classification by genre.

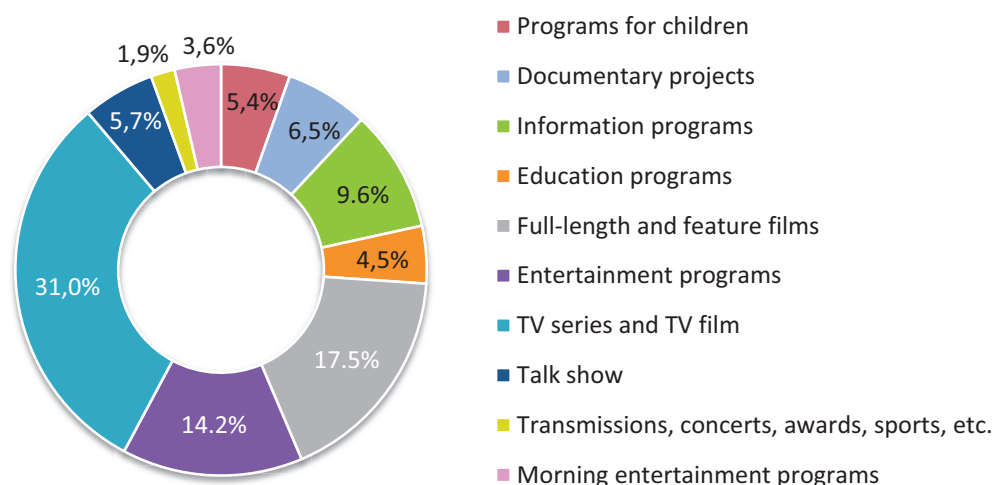
4.3. Total Volume of TV Transmissions

In 2012, 44 thousand hours of TV content was aired, broadcast on the six leading Russian TV channels (*Channel One, Russia 1, NTV, CTC, TNT and REN TV*).

Russian and foreign TV series made up 31% of all transmissions. Full-length feature films ranked 2nd by popularity, corresponding to 17.5%, which amounts to 7.7 thousand hours. Over 70% of this content type (and almost the whole foreign content) is broadcast on channels *CTC, TNT and REN TV*. Entertainment programs ranked 3rd by volume (14.2%). The talk show as a content type is regarded separately, demonstrating in 2012 a breakdown of 5.7%. Nearly 1,300 hours of this content type (almost 50% of it) was broadcast on *Channel One*.

The total breakdown of information programs, news as well as morning information and entertainment programs, equalled 14% in 2012. Channels *CTC* and *TNT* do not broadcast this content type at all.

ALL TRANSMISSIONS (by the total air time), FOR 2012

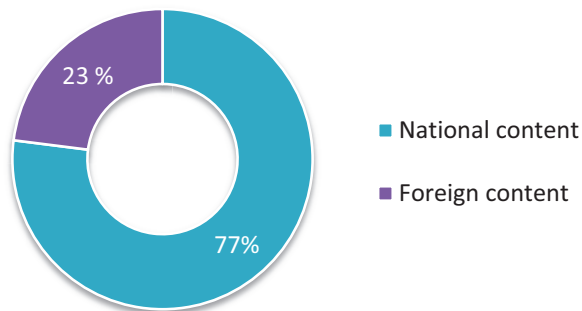


Source: KVG Research. TVRETE
TV Channels: *Chanel One, Russia 1, NTV, CTC, TNT, REN TV*

4.4. Distribution of the Total Russian and Foreign Content

The breakdown of the national content on air in 2012 for the analysed TV channels has not changed in comparison with the year 2011 and equalled 77%, where the foreign content amounted to 23%. The national content shall be regarded as the content produced in Russia, the USSR or in terms of a co-production with Russia or the USSR. Within the last several years, the breakdown of the national and foreign content has remained relatively stable as a whole and for individual channels.

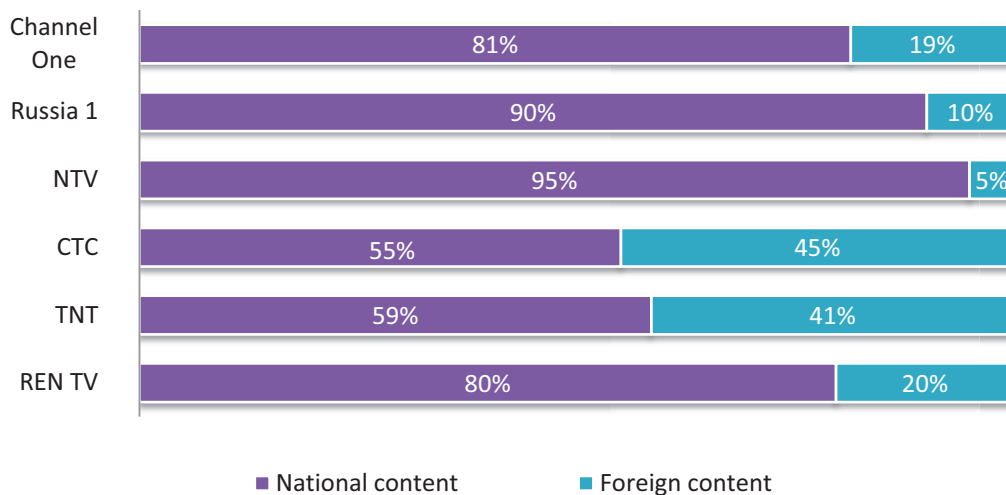
BREAKDOWN OF THE NATIONAL AND FOREIGN CONTENT
(by the total air time)



Source: KVG Research, TVRETE

TV channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

BREAKDOWN OF THE NATIONAL AND THE FOREIGN CONTENT
(by the total air time of each channel)



Source: KVG Research, TVRETE

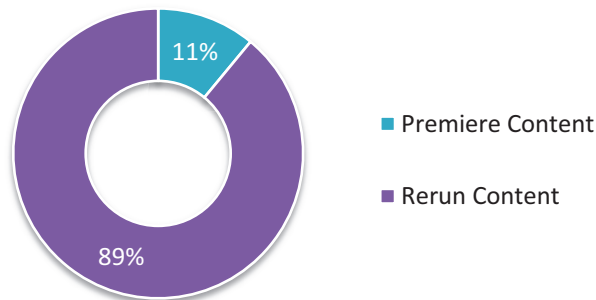
TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

Two TV channels, *CTC* (45%) and *TNT* (41%), broadcast foreign content most actively. They offer foreign feature films, TV series and animation films to their TV viewers. The register of foreign projects on *NTV* amounts to 5% of all transmissions and is represented mainly by films and TV series which are broadcast, as a rule, at night. *Russia 1* (90%) ranks 2nd by the share of the national aired content, following *NTV*, whereas *Channel One* (81%) ranks 3rd, advancing *REN TV* (80%) by only 1%.

4.5. Breakdown of Premiere Content and Rerun Content as for the Foreign Content

In total, in 2012 in terms of the analysed channels, over 10,000 hours (which corresponds to roughly 12,000 titles) were broadcast, which involved documentary projects, TV series, TV films, full-length films and animation series produced abroad. However, only 11% of them were premiere content.

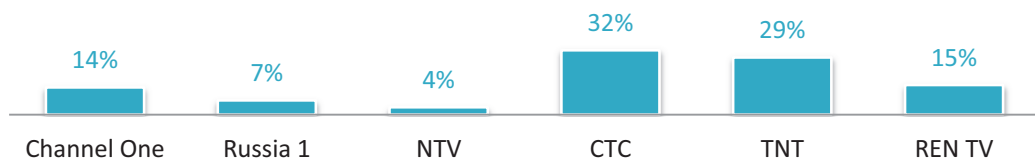
BREAKDOWN OF PREMIERE CONTENT AND RERUN CONTENT AMONG THE FOREIGN CONTENT (by the total air)



Source: KVG Research, TVRETE
 TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

The most significant breakdown of the premiere content in terms of the whole transmission volume was achieved by the TV channel CTC (32%). As a rule, it included full-length films and comedy TV series. TNT (29%) ranked 2nd, demonstrating just about the same situation as for the premiere type. However, according to the genre broadcast on the TV channel, not only comedy but also mystic and fantasy TV series dominate there. TV channel REN TV (15%) broadcasts a significant amount of foreign premiere content, which in 2012 featured *Games of Thrones* as well as *Walking Dead*. Channel One keeps on competing for the latest series, being at the same time the most popular on the foreign TV, among which the following shall be pointed out: *Californication*, *The Kennedys*, *Elementary*, *Body of Proof* and others.

DISTRIBUTION OF THE PREMIERE FOREIGN CONTENT (by the total air time)



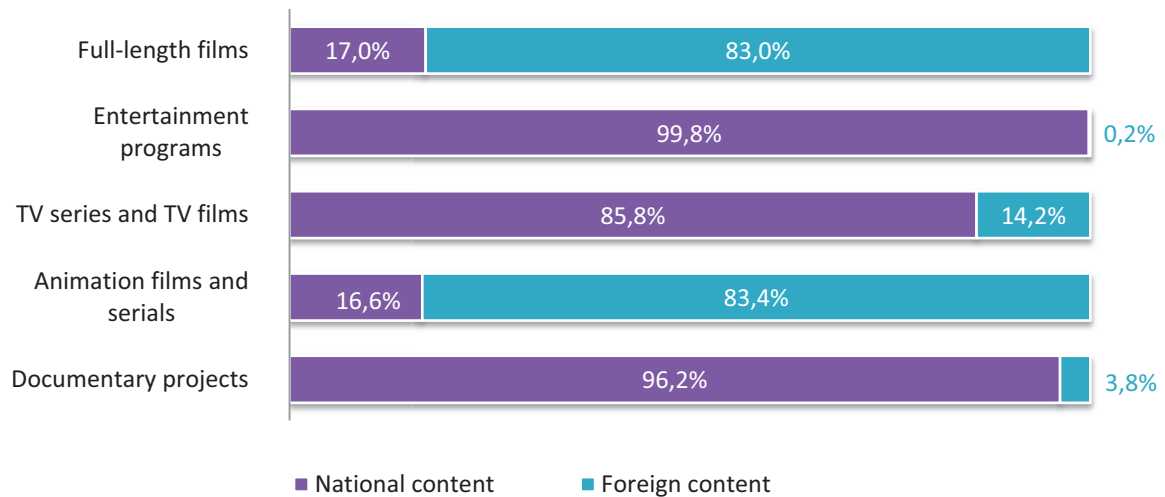
Source: KVG Research, TVRETE
 TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

4.6. Comparison of Transmissions of the National and the Foreign Content by Their Types

Analysing single types of the TV content broadcast by the six leading Russian TV channels, it becomes evident that full-length films (83%) as well as programs for children, including animation films and animation series (83.4%), demonstrate the most significant share of all foreign transmissions. In numerical terms, it corresponds to over 6,000 hours and 2,000 titles of full-length films as well as 2,000 hours and 120 animation films and series. Foreign TV series and TV films are also purchased by the leading Russian TV channels, with a broadcast share of 14.2%, in the year 2012. Therewith, we should note that the category “TV films” in this case also contains the projects broadcast on the channel *REN TV* after midnight, being dominated by “adult films”. *REN TV* is the only TV channel out of the six concerned, which purchased and broadcast this content type within the analysed period of time.

Another significant part of foreign TV films refers to TV products from Ukraine. Traditionally, these are projects containing 1-4 episodes produced only for TV broadcasting. Moreover, most of them are broadcast in Russia as premiere content. In 2012 over 90% of TV films produced in Ukraine were broadcast on the TV channel *Russia 1*, which is one of the main purchasers of the Russian-speaking content produced by Ukraine in terms of the analysed TV channels.

BREAKDOWN OF THE NATIONAL AND FOREIGN CONTENT
(by the total air time of content type) FOR 2012



Source: KVG Research, TVRETE
TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

4.6.1. Full-Length Films

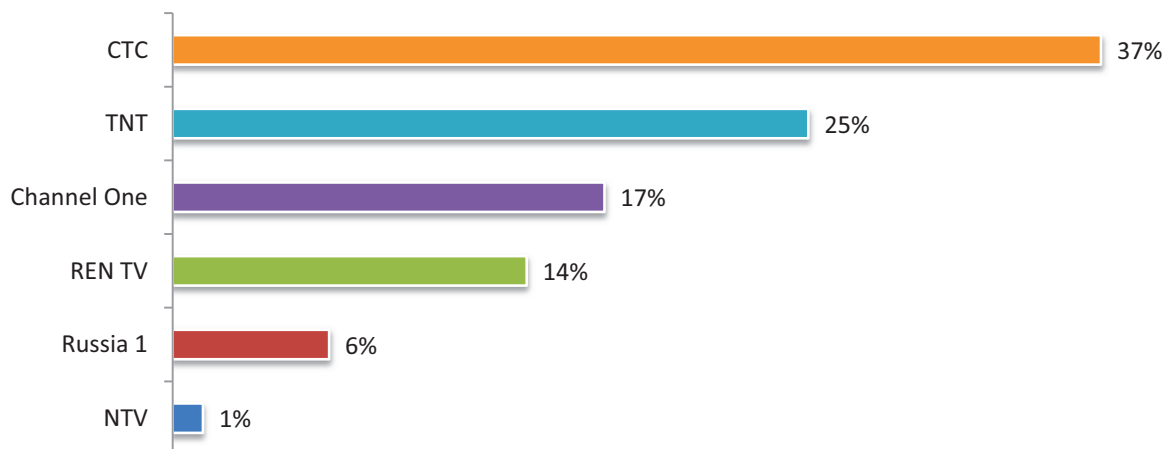
Such a significant volume of full-length films of foreign production is due to the high popularity of this content type among Russian viewers. Consequently it is one of few foreign products to be actively placed by the Russian TV channels during the prime time. The six leading Russian TV channels analysed are the main purchasers of the premiere displays of full-length films on Russian television. Thus, in 2012 they offered in total about 250 premiere screenings; 30% of them were latest releases, produced

between 2011-2012. Among them we should point out such blockbusters as *Pirates of the Caribbean: On Stranger Tides*, *The Twilight Saga: Breaking Dawn*, *Mission Impossible – 4*, *Mirror Mirror*, *Anonymous*, *Scream 4*, *Kung Fu Panda 2*, *Thor*, *Transformers 3*, *Dark of the Moon*, *The Lincoln Lawyer*, *Largo Winch II* and many others.

The most significant broadcast volume of foreign full-length films are attributed to the TV channels *CTC* (37%) and *TNT* (25%), which position themselves as entertainment channels. These TV channels prefer the genres of comedy, action film, adventure film and thriller. Then there comes *Channel One* (17%), which specifically selects full-length films for broadcasting and places among the evening transmissions not only blockbusters but also screens film festival projects through the program *Zakryty Pokaz* [Private Screening], enabling people to watch and discuss the most shocking, ambiguous and sensational films of the season. The program *Zakryty Pokaz* is how in 2012 *Channel One* managed to show the film *Melancholia* by Lars von Trier.

TV channels *Russia 1* and *NTV* almost never purchase such content type, with it amounting to only 6% and 1% out of total air time. Both channels broadcast, as a rule, re-run full-length films mainly at night. This is due to the particularities of the scheduling of these channels: within the prime time they try to place TV films (1-4 episodes) and TV series of their own production.

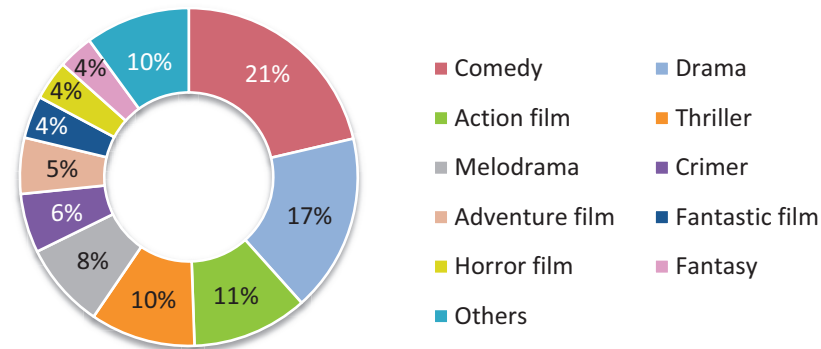
BREAKDOWN OF FULL-LENGTH FILMS OF FOREIGN CONTENT
WITHIN RUSSIAN TV CHANNELS (by the total air time)



Source: KVG Research, TV RETE
TV Channels: *Channel One*, *Russia 1*, *NTV*, *CTC*, *TNT*, *REN TV*

As for the genre of the films, most are comedy (21%), followed by drama (11%). *Channel One* should be mentioned in this context, as it displayed over 100 projects of this genre. Action films, thrillers and crime together account for 27% of all unique titles within the analysed TV channels. The share of romance films (also known as melodrama) corresponds to 8%, whereas such genres as fantasy films actively broadcast on *TNT* and *CTC* are represented by this value in total. Other genres make up 10% and consists of 15 genres among which we should point out family, detective, war and history films.

BREAKDOWN OF FOREIGN FULL-LENGTH FILMS
(by the total number of unique titles), AS FOR 2012

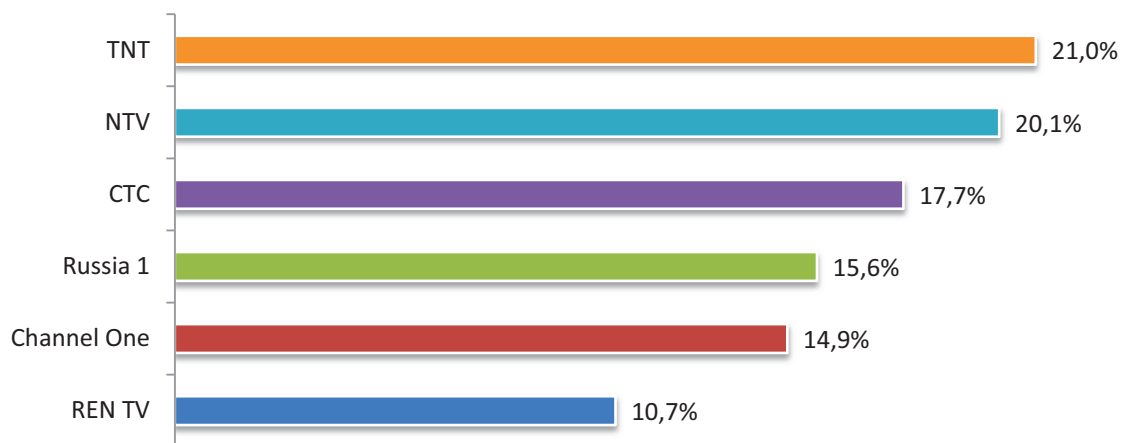


Source: KVG Research, TVRETE
TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

4.6.2. TV Series

In 2012 all six leading Russian TV channels broadcast TV series of foreign production, the volume of which was over 1,400 hours. The most significant breakdown by the total air time fell to TV channels TNT (21%) and NTV (20%), while REN TV ranked most poorly (11%).

BREAKDOWN OF TV SERIES OF FOREIGN PRODUCTION WITHIN RUSSIAN TV CHANNELS (by the total air time)



Source: KVG Research, TVRETE
TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

The channel TNT achieved the highest position due to 13 TV series: *V*, *iCarly*, *Big Time Rush*, *The Middle*, *Better Off Ted*, *Friends*, *Eastweek*, *Yesterday's Jam*, *The Team Unites*, *The Troop*, *Undercover*, *Time Trax* and *The Twilight Zone* which were broadcast by the TV channel in the morning or at night.

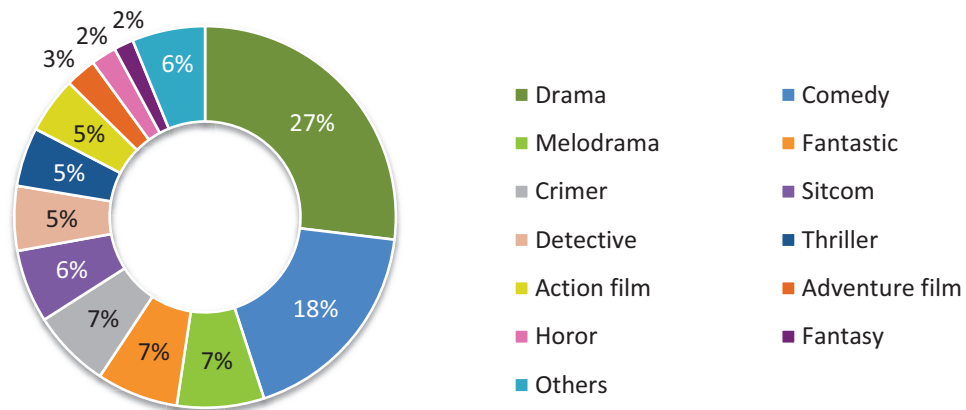
Unlike TNT, NTV does not offer such a wide variety of titles, preferring to broadcast old and new seasons of long and successful projects, for example *Two and a Half Men*, *Without a Trace*, *Cold Case*, *ER* and *One Tree Hill*.

The TV channel *CTC* preferred foreign TV series among its transmissions, as well as comedy and fantasy ones. However, it was the drama series which featured most on *CTC*, for example *Hawthorn*, *Boardwalk Empire*, *Fatmagul'un Sucu Ne* [No-fault guilty] and *Strong Medicine*.

Russia 1 broadcasts foreign TV series produced by two countries: Ukraine and the USA (16%). We should mention that while the Ukrainian TV series air during the prime time, the American series, among them *The Bill Engvall Show*, *Gossip Girl*, *Law & Order* and *Chuck*, are aired in the night time.

The breakdown of *Channel One* corresponds to 15% of total air time. It demonstrated the most significant amount of broadcast projects: within the year 2012 *Channel One* broadcast 17 projects, approximately 50% of which were dramas and melodramas. The TV channel has a special night slot for premiere TV series (starting at midnight and ending by 2am) and a special brand *City Slickers*. As the broadcasters themselves comment, this project is aimed at an audience which is “rather dissatisfied with the modern TV”. In total, there were over 200 hours of foreign TV series broadcast on the channel, among which about 30% appeared as premiere TV series. The titles of these are: *24*, *Terra Nova*, *White Collar*, *The Borgias*, *The Deep End*, *Grimm*, *Detroit 1-8-7*, *Californication*, *Zhensky Doktor* [Women’s Doctor], *House of Lies*, *Missing*, *Touch*, *The X Files*, *Body of Proof*, *The Killing*, *Farforovaya Svad’ba* [Chin Wedding] and *Elementary*.

BREAKDOWN OF FOREIGN TV SERIES
(by the total amount of unique titles), FOR 2012



Source: KVG Research, TVRETE
TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

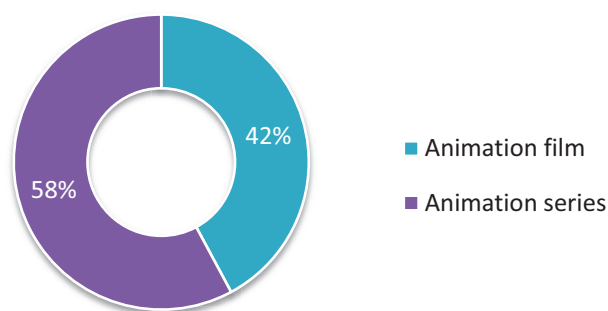
The breakdown of the TV channel *REN TV* equals 11%. The TV channel broadcasts different TV series, namely the American *Game of Thrones* and Belgian crimer *Matroesjka's* and *Matroesjka's 2* about a criminal organization which annually exports young women from the countries of the former USSR, making them strip at night clubs in Antwerp.

REN TV often broadcasts mystic or horror projects, such as *Exile on Main St*, *Terminator: The Sarah Connor Chronicles* and *Walking Dead*.

4.6.3. Programs for Children

Programs for children, according to the classification of *KVG Research*, should be divided into animation films and series, and educational programs for children. Animated full-length films are treated as full-length films.

BREAKDOWN OF FOREIGN CONTENT FOR CHILDREN
(by the amount of titles)



Source: *KVG Research, TVRETE*

TV Channels: *Channel One, Russia 1, NTV, CTC, TNT, REN TV*

Foreign animation films and animation series dominate by the broadcast volume on Russian TV, corresponding to about 2,000 hours of air time and 120 broadcasts containing animation films (42%) and animation series (58%).

The library of animation films which were produced in the USSR contains over 1,500 titles and cannot really compete with foreign animation content. Thereby, Russian channels must annually buy rights for those animation films. Until the mid-2000s, Russian animation was represented only by single projects and occupied an irrelevant part in the schedules. Its share has begun to increase since 2004-2005, as some episodes of the first Russian animation series *Smeshariki* and *Luntik* were directed and aired.

As for foreign animation content, the channel *TNT* is the dominating one, having already shown 53.3% animation films and series of all transmitted on the six analysed TV channels. In absolute terms, it means over 1,500 content hours and about 20 titles, among which are such projects as *Ben 10: Alien Force*, *Bakugan*, *Sponge Bob Square Pants*, *Pokemon*, *Tom & Jerry*, *My Life as a Teenage Robot* and others.

The TV channel *TNT* is followed by *CTC* with its share of 35%, with over 50 unique project titles within 2012, including different episodes of the animation series about the Great Dane *Scooby-Doo*, Disney animation series *Aladdin*, *Ultimate Spider-Man*, *Dungeons & Dragons*, *Pop Pixie*, *Goof Troop*, *Jumanju*, *Winx Club*, *Pinky*, *Elmyra & the Brain*, *Sonic X*, *Tom & Jerry* and others.

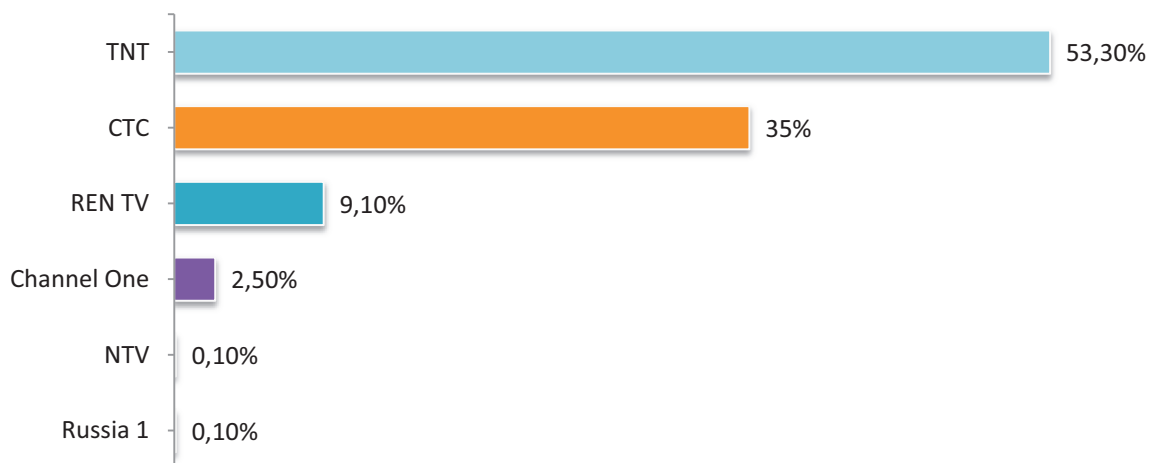
REN TV (9.1%) broadcasts foreign animation series too. Besides *Tom & Jerry* and *Scooby Doo*, *REN TV* broadcasts *Batman: the Brave and the Bold*, *Taz-Mania*, *The Looney Tunes Show* and others.

On *Channel One*, occupying 2.5% by the total broadcast volume, the most significant share of the transmitted animation content for children belongs to *Disney*, which has had a licensed contract with

Channel One since 2007, in terms of which the channel obtains the right for the premiere TV display of all new animation and feature films by the *Walt Disney Company*. Apart from that, *Channel One* broadcasts the program *The Wonderful World of Disney*.

The breakdown of the foreign animation content on *Russia 1* is rather insignificant, corresponding to 0.1%. *Russia 1* is the only TV channel among all of the analysed channels which has a daily prime time education program for children, namely *Spokoynoy Nochi Malishi* [Good Night You Little Ones], which has broadcast on *Russia 1* since 2001. However, the content of the TV channel *Russia 1* consists mainly of Russian animation projects.

BREAKDOWN OF ANIMATION FILMS AND SERIES OF FOREIGN PRODUCTION WITHIN
RUSSIAN TV CHANNELS (by the total air time)

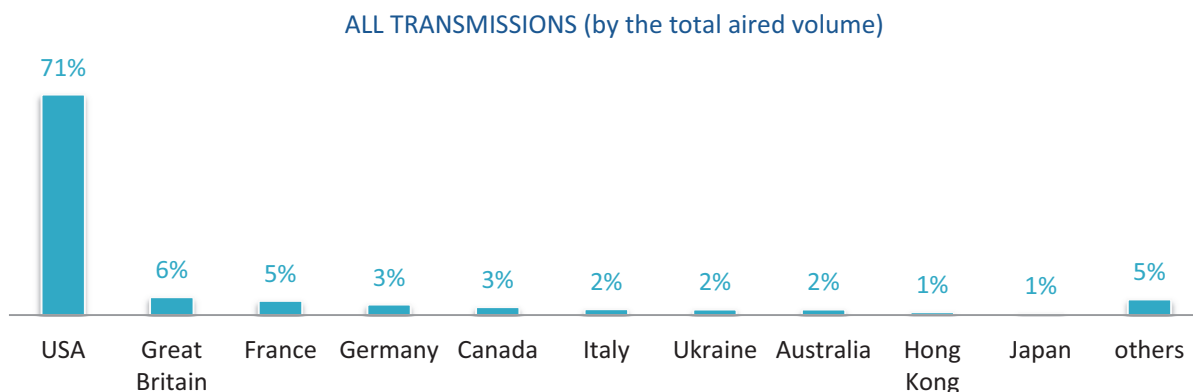


Source KVG Research, TV RETE

TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

4.7. Breakdown of Foreign Content by the Countries of Production

For the six leading terrestrial TV channels, the majority of TV projects broadcast within 2012 were produced in the USA (71%). This includes full-length and TV films, and TV series. Great Britain ranks 2nd, reflecting 5% of all unique project titles, followed by France (5%). Other countries occupy between 1% to 3% of the total broadcasts during the analysed period. Over 40 other countries together make up 5%, involving such countries as Spain, Belgium, Sweden, Denmark, The Czech Republic and Hungary.



Source: KVG Research, TV RETE

TVChannels: ChannelOne, Russia 1, NTV, CTC, TNT, REN TV

The content of foreign production is placed within different Russian channels in a different way. This is how *Channel One* presents full-length and TV projects of all six leading channels. The most significant proportion of the projects, namely 33%, which amounts to about 40 full-length and documentary films, was produced in France. Among the premiere full-length films, films such as *Un balcon sur la mer*, *Bienvenue à bord*, *Les aventures extraordinaires d'Adèle Blanc-Sec*, *Entre les Murs*, *L'heure d'été*, *Le marquis 2*, *Potiche* and *Rien à déclarer* amongst others should be mentioned.

The most significant share of British films and TV series referred to *Channel One* (30%), which broadcast about 30 British full-length films during 2012. These were produced either independently or in a coproduction with other countries. Several documentary projects were produced mainly by the BBC. In 2012 *Channel One* also became the first foreign TV channel to broadcast the second season of the British TV series *Sherlock*. Its three episodes were displayed one by one on January 2, 9 and 16; one day after they premiered on the *BBC Channel*.

As for projects produced in America, *Channel One* ranks worse than *CTC* (31%). *REN TV* ranks the poorest, preferring Italian projects (over 40%) as a rule including films of erotic content.

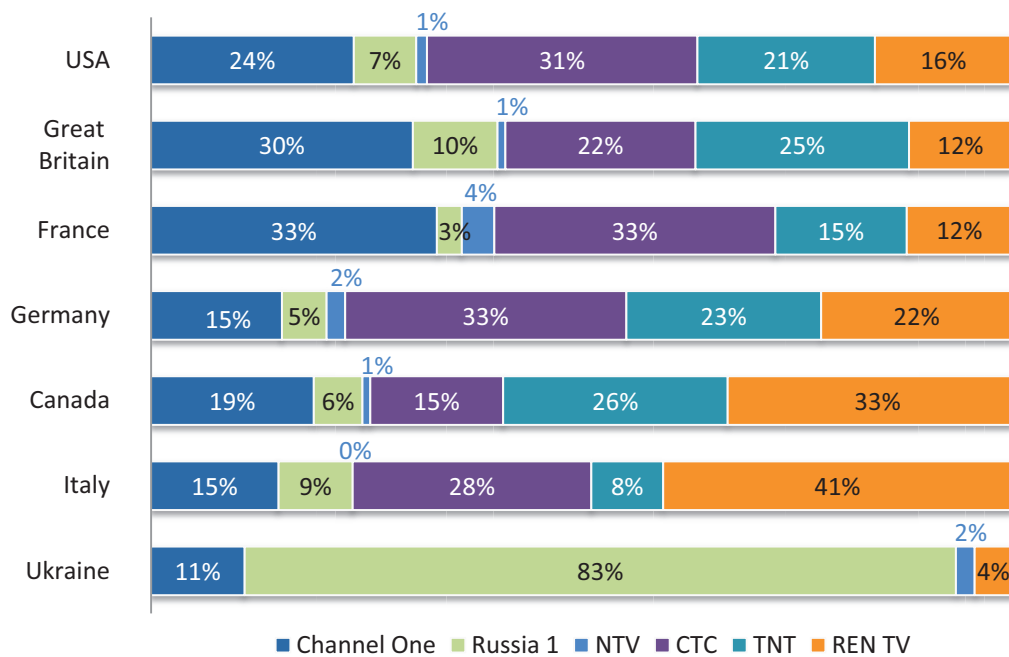
The TV channel *CTC*, as the most significant broadcaster of foreign content among the six analysed TV channels, also broadcast multinational content in 2012. Although in absolute terms 80% out of over 3,300 hours of foreign content of the TV channel corresponded to content produced in the USA, *CTC* broadcast French, German and British full-length and TV products, too. In particular, the TV channel transmitted all four films from the film franchise about *Astérix et Obélix* and the trilogy about *Arthur* by Luc Besson. All in all, in 2012 *CTC* showed many projects of the French director, writer and producer

Luc Besson, including *Wasabi*, *Taxi*, *Taxi 4*, *The Fifth Element*, *Banlieue 13*, *I love you Phillip Morris* and others.

NTV is not very active in terms of broadcasting foreign content. Its breakdown by transmission volume among the leading countries fluctuates between 1% and 4%.

A special place in terms of the products broadcast by the Russian TV channels belongs to Ukrainian films and TV series. Due to historical conditions as well as similarities about language and culture, the production businesses of Ukraine and Russia are connected with each other. Many TV channels and production companies produce TV series and TV films for both markets at the same time, calculating production costs and margin according to supply and demand of the market participants of both countries. Thereby, while two or three years ago most projects were performed as a coproduction of the two countries in order to decrease production costs, it has since become a trend to strengthen and to enlarge the Ukrainian production companies and consequently to produce projects independently, for both markets. In 2012 the TV channel *Russia 1* ranked as the most significant purchaser of Ukrainian content, which corresponded to 83% of Ukrainian projects.

BREAKDOWN OF FOREIGN CONTENT BY THE COUNTRIES OF PRODUCTION
(by all unique titles) AS FOR 2012



Source: KVG Research, TVRETE
TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

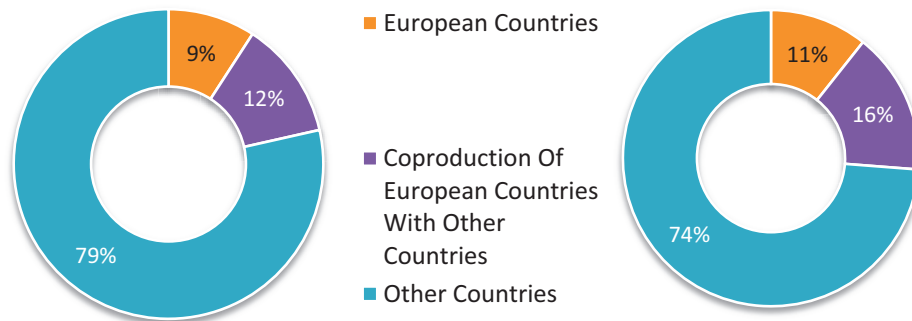
4.8. Content of the Countries Originating From the European Union

In 2012 more than 650 unique titles of TV projects were broadcast on the six leading Russian TV channels. All of these projects were produced by 28 European countries either on their own or as a coproduction with the USA, Australia, Canada, Japan and other countries. In total, approximately 1,000 hours of TV content produced by European countries went on air.

SHARE OF THE EUROPEAN CONTENT COMPARED TO THE TOTAL FOREIGN CONTENT

(by the total broadcast time)

(by unique titles)

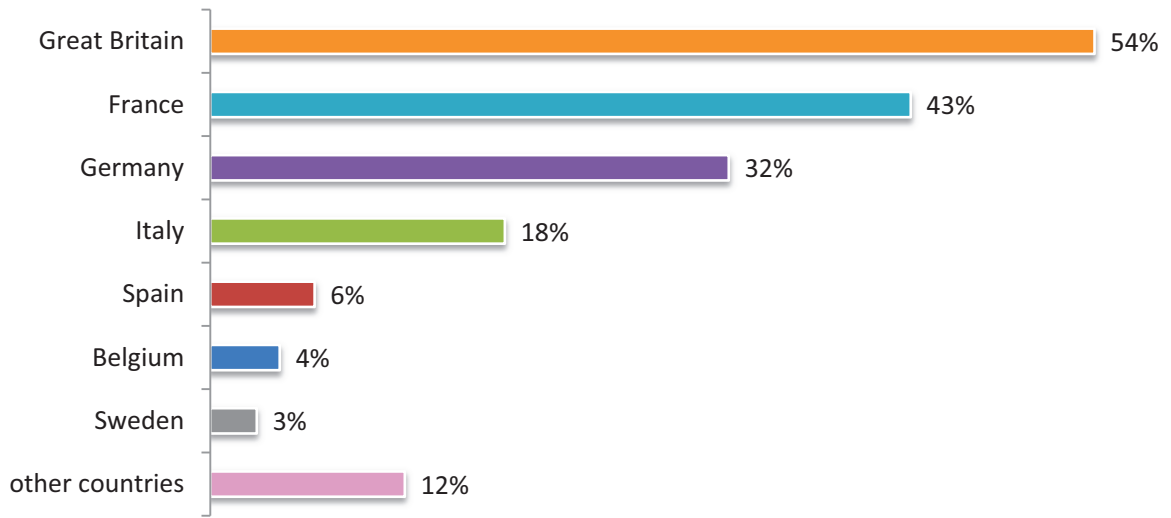


Source: KVG Research, TV RETE

TV channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

While analyzing only European content, it becomes obvious that the leading positions on Russian TV judging by the number of broadcasts belong to Great Britain (54%), followed by France (43%), Germany (32%), Italy (18%), Spain (6%), Belgium (4%) and Sweden (3%). A further 12% includes countries such as Ireland, Czech Republic, Denmark, Hungary, Poland, Luxembourg, Netherlands, Norway, Austria, and Malta.

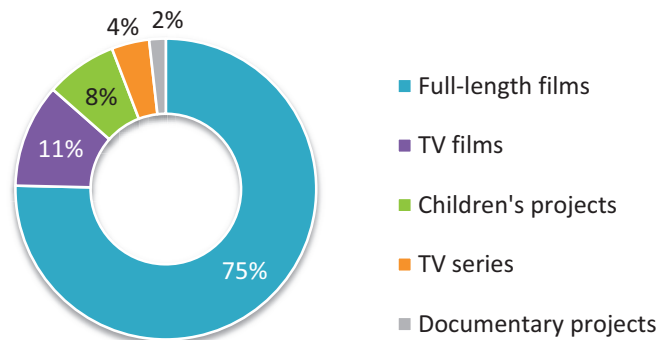
BREAKDOWN OF THE EUROPEAN CONTENT BY COUNTRIES OF PRODUCTION
(by number of titles)



Source: KVG Research, TV RETE
TV channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

As for the content type, the dominating position by broadcasting time is occupied by full-length films, which amounted to 75%. In 2012 more than 1,600 hours of full-length films produced in European countries on their own, or as a coproduction with other countries, were broadcast on the 6 channels which were analyzed. The broadcasting time of only European cinema projects equals a little less than 1,000 hours.

BREAKDOWN OF EUROPEAN CONTENT TYPES AS WELL AS COPRODUCTION WITH EUROPEAN COUNTRIES
(out the total broadcasting time), IN 2012



Source: KVG Research, TVRETE
TVchannels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

**TOP 15 EUROPEAN PRODUCTION COMPANIES BY BROADCASTING HOURS
FOR THE SIX LEADING RUSSIAN CHANNELS ***

| № | COMPANY | CHRONO (HOURS) |
|-----------|---|-----------------------|
| 1 | Canal+ | 274 |
| 2 | TF1 Films Production | 155 |
| 3 | Ciné+ | 109 |
| 4 | EuropaCorp | 103 |
| 5 | British Broadcasting Corporation (BBC) | 93 |
| 8 | StudioCanal | 66 |
| 6 | Working Title Films | 63 |
| 7 | Centre National de la Cinématographie (CNC) | 62 |
| 9 | France 2 Cinéma | 54 |
| 10 | Scott Free Productions | 53 |
| 11 | Pathé | 49 |
| 12 | Heyday Films | 47 |
| 13 | Wild Bunch | 43 |
| 14 | Constantin Film | 42 |
| 15 | Apipoulai | 38 |

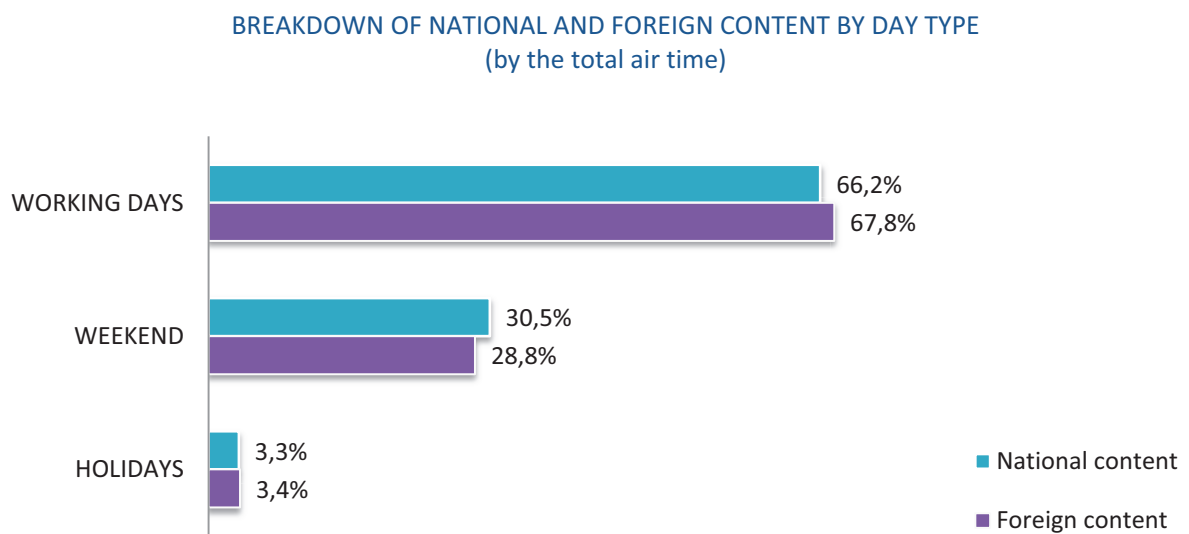
*TOP is drawn up out of TV content broadcasting hours based on the actual broadcasting time for the year 2012. The number of project hours gets assigned to every production company which participated in its production. TOP does not only represent the volume of all first performances but contains hours of products which occur double as for several different companies.

*Source: KVG Research, TV RETE, 2012
Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV*

4.9. Broadcast Characteristics of National, Foreign and European Content

Russian channels transmit foreign content as a rule at night, which is after midnight, and early in the morning, starting at 5 am and ending at 9 am, while the share of the national transmissions, as a rule, decreases from midnight and reaches 15%.

The figures below indicate that *Channel One*, *Russia 1* and *NTV* broadcast the national content, including TV series, full-length films, entertainment and education programs, talk shows, documentaries and programs for children, without referring to the morning information and entertainment programs.



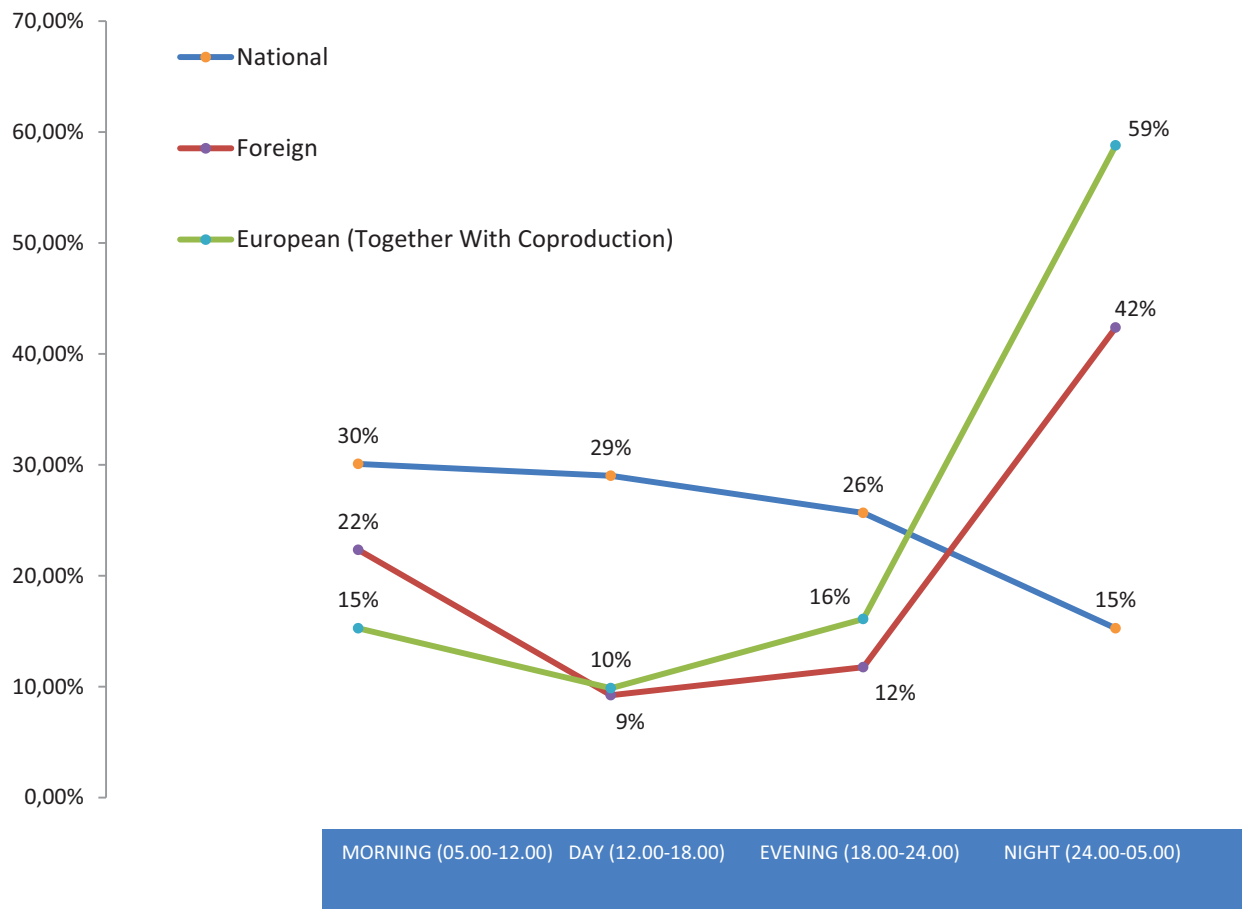
Source: KVG Research, TV RETE

TVChannels: *ChannelOne*, *Russia 1*, *NTV*, *CTC*, *TNT*, *REN TV*

The share of foreign transmissions from 5 am until midday in 2012 corresponded to 22%, of which about 65% were animation films and TV series transmitted on *Channel One* at the weekend, whereas as for *CTC*, *TNT* and *REN TV* both working days and weekends should be taken into consideration. Within the daytime on working days, the TV channels prefer to broadcast Russian content, consisting of day-time talk shows and TV series, produced mainly as “reality reconstruction”.

In the evening, the share of the foreign content starts to increase, which is caused by the fact that the late prime time is devoted by such Russian TV channels as *CTC* and *TNT* to foreign and European full-length films. At night, the share of transmissions of foreign content reaches its peak and corresponds to 42% of total broadcasts, of which 59% is European projects. It is the night time when Russian TV channels prefer to broadcast American and European TV series which, as already mentioned, are present on all Russian TV channels.

BROADCASTING OF NATIONAL, FOREIGN AND WEST EUROPEAN CONTENT BY TIME PERIODS, FOR 2012



Source: KVG Research, TVRETE

TV Channels: Channel One, Russia 1, NTV, CTC, TNT, REN TV

4.10. The Most Popular Foreign and European Projects in 2012

TOP 5 MOST POPULAR EUROPEAN PROJECTS IN 2012

| TITLE | DATE | WEEK DAY | CHANNEL | RANKING (%) | SHARE (%) | CONTENT TYPE | COUNTRY |
|-----------------------------------|-------------------|-----------|-------------|-------------|-----------|---------------------|------------------------|
| The Nutcracker | January 6, 2012 | Friday | CHANNEL ONE | 4.7 | 12.1 | full-length film | Great Britain, Hungary |
| Putin, Russia and the West | February 26, 2012 | Sunday | NTV | 4.5 | 17.2 | documentary project | Great Britain |
| Sherlock Holmes | January 9, 2012 | Monday | CHANNEL ONE | 4.3 | 12.5 | TV film | Great Britain |
| Ronal-Barbaren | July 1, 2012 | Sunday | CTC | 3.6 | 11.5 | full-length film | Denmark |
| Taxi 2 | October 17, 2012 | Wednesday | TNT | 3.6 | 10.3 | full-length film | France |

Source: TNS, 2012, Russia (cities 100 000+), 4+

TOP 10 MOST POPULAR FOREIGN PROJECTS IN 2012

| PROJECT | DAY | WEEK DAY | CHANNEL | RANKING (%) | SHARE (%) | CONTENT TYPE | COUNTRY |
|---|-------------|-----------|-------------|-------------|-----------|----------------------------|---------|
| Snayper 2. Tungus [Shooter 2. Tungus] | 09.05. 2012 | Wednesday | CHANNEL ONE | 11.1 | 33.8 | TV film | Belarus |
| Svaty – 4 [Match-makers 4] | 07.01. 2012 | Saturday | RUSSIA 1 | 7.9 | 23.6 | TV series | Ukraine |
| Pirates of the Caribbean: On Stranger Tides | 25.03. 2012 | Sunday | CHANNEL ONE | 7.8 | 21.3 | full-length film | USA |
| Scared Shrekless | 02.01. 2012 | Monday | CTC | 7.2 | 18.4 | short-length animated film | USA |
| Lyublyu, potomu chto Lyublyu [Faults are Thick where Love is Thin] | 23.12. 2012 | Sunday | RUSSIA 1 | 7.1 | 18.4 | TV film | Ukraine |
| Lesnoe ozero [Forest Lake] | 29.01. 2012 | Sunday | RUSSIA 1 | 6.9 | 18.5 | TV film | Ukraine |

| PROJECT | DAY | WEEK DAY | CHANNEL | RANKING (%) | SHARE (%) | CONTENT TYPE | COUNTRY |
|--|------------|----------|-------------|-------------|-----------|---------------------------|---------|
| Shrek 2 | 03.01.2012 | Tuesday | CTC | 6.8 | 17.7 | full-length animated film | USA |
| Shrek Forever After | 01.01.2012 | Sunday | CHANNEL ONE | 6.7 | 21.8 | full-length animated film | USA |
| Novogodnie Svaty [Match-makers. New Year] | 01.01.2012 | Sunday | RUSSIA 1 | 6.5 | 23.4 | TV film | Ukraine |
| Pretty Woman | 09.03.2012 | Friday | CHANNEL ONE | 6.3 | 18 | full-length film | USA |

Source: TNS, 2012, Russia (cities 100 000+), 4+

TOP 5 MOST POPULAR FOREIGN PROJECTS CHANNEL BY CHANNEL

| PROJECT | DAY | WEEK DAY | CHANNEL | RANKING (%) | SHARE (%) | CONTENT TYPE | COUNTRY |
|---|------------|-----------|-------------|-------------|-----------|---------------------------|---------|
| CHANNEL ONE | | | | | | | |
| Snayper 2. Tungus [Shooter 2. Tungus] | 09.05.2012 | Wednesday | CHANNEL ONE | 11.1 | 33.8 | TV film | Belarus |
| Pirates of the Caribbean: On Stranger Tides | 25.03.2012 | Sunday | CHANNEL ONE | 7.8 | 21.3 | full-length film | USA |
| Shrek Forever After | 01.01.2012 | Sunday | CHANNEL ONE | 6.7 | 21.8 | full-length animated film | USA |
| Pretty Woman | 09.03.2012 | Friday | CHANNEL ONE | 6.3 | 18 | full-length film | USA |
| Home Alone 2: Lost in New York | 02.01.2012 | Monday | CHANNEL ONE | 5.8 | 21.2 | full-length film | USA |
| RUSSIA 1 | | | | | | | |
| Svaty – 4 [Match-makers 4] | 07.01.2012 | Saturday | RUSSIA 1 | 7.9 | 23.6 | TV series | Ukraine |
| Lyublyu, Potomu chto Lyublyu [Faults are Thick where Love is Thin] | 23.12.2012 | Sunday | RUSSIA 1 | 7.1 | 18.4 | TV film | Ukraine |
| Lesnoe ozero [Forest Lake] | 29.01.2012 | Sunday | RUSSIA 1 | 6.9 | 18.5 | TV film | Ukraine |

| PROJECT | DAY | WEEK DAY | CHANNEL | RANKING (%) | SHARE (%) | CONTENT TYPE | COUNTRY |
|--|------------|-----------|----------|-------------|-----------|----------------------------|-----------------------------|
| Novogodnie Svaty [Match-makers. New Year] | 01.01.2012 | Sunday | RUSSIA 1 | 6.5 | 23.4 | TV film | Ukraine |
| Udivi Menya [Make Me Monder] | 22.01.2012 | Sunday | RUSSIA 1 | 6.1 | 16 | TV film | Ukraine |
| NTV | | | | | | | |
| Putin, Rossiya i Zapad | 26.02.2012 | Sunday | NTV | 4.5 | 17.2 | documentary project | Great Britain |
| If Tomorrow Comes | 09.01.2012 | Monday | NTV | 3.7 | 11.6 | TV film | USA |
| Overboard | 07.01.2012 | Saturday | NTV | 3.2 | 12.5 | full-length film | USA |
| I am Putin. A portrait | 07.05.2012 | Monday | NTV | 3.2 | 10.7 | Documentary project | Germany |
| Wanted | 07.10.2012 | Sunday | NTV | 2.2 | 12.8 | full-length film | USA, Germany |
| CTC | | | | | | | |
| Scared Shrekless | 02.01.2012 | Monday | CTC | 7.2 | 18.4 | Short-length animated film | USA |
| Shrek 2 | 03.01.2012 | Tuesday | CTC | 6.8 | 17.7 | full-length animated film | USA |
| Kung Fu Panda Holiday Special | 04.01.2012 | Wednesday | CTC | 6.2 | 15.7 | full-length animated film | USA |
| Shrek 3 | 04.01.2012 | Wednesday | CTC | 6.2 | 15.5 | full-length animated film | USA |
| Shrek | 02.01.2012 | Monday | CTC | 6.1 | 16.2 | full-length animated film | USA |
| TNT | | | | | | | |
| Harry Potter and the Chamber of Secrets | 11.11.2012 | Sunday | TNT | 5.1 | 12.8 | full-length film | Great Britain, Germany, USA |
| Harry Potter and the Goblet of Fire | 18.11.2012 | Sunday | TNT | 5 | 13.1 | full-length film | Great Britain, USA |
| Harry Potter and the Half-Blood Prince | 25.11.2012 | Sunday | TNT | 5 | 12.6 | full-length film | Great Britain, USA |

| PROJECT | DAY | WEEK DAY | CHANNEL | RANKING (%) | SHARE (%) | CONTENT TYPE | COUNTRY |
|--|------------|----------|---------|-------------|-----------|------------------|--------------------------|
| Journey to the center of the earth | 21.10.2012 | Sunday | TNT | 4.3 | 10.9 | full-length film | USA |
| The lord of the rings: the return of the king | 15.12.2012 | Saturday | TNT | 4 | 11.4 | full-length film | NewZealand, USA, Germany |
| REN TV | | | | | | | |
| Exit Wounds | 13.05.2012 | Sunday | REN TV | 2.6 | 7.9 | full-length film | USA, Australia |
| Final Destination 3 | 15.07.2012 | Sunday | REN TV | 2.5 | 8.2 | full-length film | Germany, USA, Canada |
| The Mechanic | 29.01.2012 | Sunday | REN TV | 2.5 | 6.2 | full-length film | USA |
| The Green Mile | 08.04.2012 | Sunday | REN TV | 2.4 | 6.9 | full-length film | USA |
| The Keeper | 12.02.2012 | Sunday | REN TV | 2.4 | 6.7 | full-length film | USA |

Source: TNS, 2012, Russia (cities 100 000+), 4+

5. VIDEO ON DEMAND

5.1. VOD from Operators of Pay TV

Among the nine biggest operators of Pay TV, who provide services to over 90% of users in Russia, there are four companies which offer the service of Video on Demand. These are: *Rostelecom*, *MTS*, *Vimpelcom*, and *MegaFon*. These operators do not release information about the number of users who take advantage of the service, nor any details about their relationship with copyright holders. According to the estimations of a market participant, the audience of VOD corresponds to roughly 5-7% of the subscriber base of Pay TV. However, it is impossible to estimate any absolute figure, as some VOD players permit access only up to a certain part of their subscriber bases (no definite numbers get disclosed), whereas *MegaFon* does not reveal the number of the users taking advantage of Pay TV.

VOD FROM OPERATORS OF PAY TV

| OPERATOR | BRAND | VOD | VOD SERVICE | BROADCASTING METHOD |
|-----------------------------------|---|---|------------------|---------------------|
| National satellite company | Tricolor TV, HD platform | - | - | SAT |
| Rostelecom | Rostelecom | available for the users of Interactive TV Rostelecom (IPTV) | Videoprokat | CAB, IPTV |
| MTS | MTS, Komstar, StreamTV, Multinex, TVT | available only for users in Moscow | Video po zaprosu | CAB |
| ER-Telecom Holding | Dom.ru | - | - | CAB |
| Akado | Akado Telecom | - | - | CAB |
| Orion Express | Continent TV, Vostochnyi Express, Telekarta | - | - | SAT |
| Vimpelcom | Beeline TV | yes | Videoprokat | IPTV |
| Megafon | NetbyNet | yes | Videoprokat | IPTV |
| NTV plus | NTV plus | - | - | SAT, IPTV |

Rostelecom calls its service *Videoprokat* [video hire shop]. In its library, different content totalling as much as 3,000 hours of films, TV series, animated films and TV programs can be found. This service has begun to develop actively since June 2012 as the implementation of the united federal decision replaced various decisions of interregional communication companies (*Mega Regional Telecom*, hereafter *MRT*, which were integrated into *Rostelecom* in April 2012). The service adjusts its features to its own users of the Pay TV company. You can order films within the menu of your TV set-top box and its price varies from RUB 50 up to RUB 150. Apart from that, by paying RUB 150 on a monthly basis the user can subscribe to *Picture Box* (the best films and TV series of *NBC Universal*, 35 films of which 7 are updated every week) and *Detsky Club* [Children's Club] (over 50 popular films and animation films which are updated weekly).

Rostelecom is developing its interactive portal *Zabava.ru*, too. It will enable the company to sell its VOD content to external users. In the portal's library, apart from the "video" section, the user will find TV-online, music, books, games and software. The user can access the portal by means of any technical device which is connected to the Internet. The user can buy a film for RUB 50-150, whereas one season of a TV series costs RUB 150. The introduction of online-VOD in *Rostelecom* is in response to demand from some target categories of subscribers for an alternative way to watch licenced content in high quality using a personal computer or a tablet. For example, those people who have stopped watching TV or the younger generation who are more active on the Internet belong to the audience mentioned above.

Rostelecom has united contracts with copyright holders which enable the company to offer its content by means of both sources: on the IPTV platform and on *Zabava.ru*. As a rule, the company purchases rights for the transactional model, although there exists some certain content which is operated by subscription. Currently another model, namely the download one, is entering the market.

Rostelecom does not compete for content. In the company its managers say that it does not make any particular sense to get exclusive rights for the public display of one film or another. The company tries to purchase films as soon as they leave cinemas or within a set time, which should be as short as possible. A company representative commented that the day of the DVD release itself should be considered as the standard time value for VOD, that is the way the largest Hollywood studios usually work, which at the same time have contractual relations with *Rostelecom*. However currently some of them are willing to start rendering Pay TV services. For example, *Walt Disney Company* opened a premium window for the film *Iron Man 3*, which took place two weeks before the official DVD release. Other films such as *Gagarin: pervy v kosmose* [Gagarin: The First in Space], *Pena dney* [The Foam of the Days] and *Igra v pravdu* [Truth as a Game] were also released in this way.

In Moscow, *MTS* provides another service called *Video po zaprosu* [Video on demand]. In its library various films of such film studios as *Disney*, *Warner*, *Fox* and others can be found. There are four types of films which are categorised according to their release year, rating etc.: *Kino50* [Films 50], *Kino 75* [Films 75], *Kino 90* [Films 90] and *Kino 150* [Films 150]. The films are available for 48 hours after the purchase. You can order a film using the operating panel of the TV set top-boxes.

In the regions of *MTS*, based on DVB-C technology, the users of Pay TV have access to two channels which function according to the model of Pay Per Month (hereafter PPM): the user subscribes to certain channels for a month and can get access to films broadcast on these channels. Such a subscription cost RUB 50. In both VOD and PPM *MTS* uses the scheme of revenue sharing but it does

not disclose any proportions. For these projects, as well as for the portal *Stream*, the content gets aggregated by the company *Stream*, which is an affiliate of *MTS*.

The similar service of *Vimpelcom* is called *Videoprokat* [Video hire shop]. Depending on the genre and the category of the film, one viewing might cost from RUB 15 to RUB 100. The user can choose and order films using the interactive menu of the TV set top-box. As a rule, the film is available for 48 hours. The company does not disclose any details of its relationships with the copyright holders but comments that it determines its strategy on an individual basis.

The similarly-named service of *Megafon* offers films for RUB 50-99. The user can choose and order them by means of the menu and it will be available for 48 hours after the payment. The service was introduced mid-2013. *Megafon* operates using the content aggregators' method of revenue sharing. At the same time, *Megafon* provides its clients with access to online VOD. The management of the company explain that they do not consider such platforms to be competitors as the market for legal content will be growing. First of all, the changes to the legislation will contribute to such a development.

Another two companies among the leading operators of Pay TV in Russia, namely *Akado* and *NTV plus*, have PPV services which work according to the model of VOD but have a difference: paying a certain sum of money, the user can watch a selected film only at a certain time, which has more in common with a cinema. "Shows" get repeated all day long to enable the user to choose the most convenient time for them.

Akado offers services named *KinozalAkado* [Cinemahall Akado] and *Kinozal 13* [Cinemahall 13]. *Kinozal Akado* offers a schedule of more than 10 films, every day the user can order a viewing for a certain time, according to the schedule. Between 3-6 films are on air at the same time, with a show time of every 30-60 minutes. It costs RUB 60 to order one screening. The user can order a screening within their personal account on the website of the operator by SMS or by phone. *Kinozal 13* has the same structure as *Kinozal Akado* but it has different content. Whereas the first one offers so called mass movies, the second one contains alternative ones. On the daily schedule there are nearly 10 movies, with two movies being shown at the same time. As of year-end 2012, about 30% of the subscriber base of the digital TV *Akado* in Moscow, which is 105,000 subscribers, were registered as users of these services.

At *Akado*, managers explain that the main barrier to the introduction of a full VOD service is the cost of the video library and the liabilities relating to financial assurance. The PPV model foresees revenue sharing according to the content ordered by the viewer. In terms of VOD, the operator should afford a prepayment for the rights and then generate income through the service via the subscribers. Apart from that, the introduction of PPV reduces the operator's operating costs in comparison to VOD.

Akado does not compete for content, commenting that cinemas still preserve their precedence about showing films, whereas TV channels concentrate on and specialize in TV series.

NTV plus calls its service *Kinodrom*. Five films are broadcast at the same time; the choice is formed on the basis of the latest films which have recently been released on DVD in Russia. The first show on each channel begins every day between 6am- 7am Moscow time. Every following show begins within 10 minutes after the previous show has ended. It costs the user RUB 99 to watch one film. It is possible to order films via the web site of the company, SMS messages or by phone.

The managers of the company explain that they prefer the PPV service, as this model is more accessible and many more users can take advantage of it. By comparison few users possess VOD equipment. As of year-end 2012 the audience of *Kinodrom* corresponded to 3.5% of the subscriber base of *NTV plus* which equalled 18-30K people. The operator does not compete for content, believing that the volume of content does not attract additional users or money as unlawful copies are so widely available.

Market players admit that investments in VOD represent long-term investments: it is necessary to invest money in the platform and software. As a rule, vendors take money for both, which depends on the amount of operator subscribers. Then, it is necessary to purchase content and invest in marketing in order to promote the service. It is easier to agree on a partnership with online VOD, however in this case the operators risk becoming just a conduit for data delivery if the platform does not offer good film channels. It is recommended to integrate various film portals, but in this case it will be very hard to earn by selling film channels - *NTV plus* agreed.

5.2. Online VOD

5.2.1. Main Players

The market for legal video content in Russia has begun to develop since the years 2008-2009. The period is marked by the establishment of many VOD resources. Among them are: *stream.ru*, *tvzavr.ru*, *zoomby.ru* and *ivi.ru* which have become the leading platforms of VOD. Since 2009-2010 most of the TV channels have started to use web sites as video platforms, placing recordings of TV programs, films and sitcoms there. All in all, according to the data of KVG Research, in summer 2013, there existed roughly 60 online VOD resources with licenced content in Russia, nearly 50% of which represented online platforms of Russian TV channels or their affiliates (eg. daughter companies and single project web sites).

MAIN PLAYERS OF ONLINE VOD

| NAME | OWNER OF THE RESOURCE OR OF THE COPYRIGHT FOR THE RESOURCE | LAUNCH DATE | BUSINESS MODEL | CONTENT TYPES | MONTHLY AUDIENCE (TNS WEB INDEX, JULY 2013), THOUSAND, PEOPLE |
|-----------------|--|-------------|----------------|--|---|
| 1tv.ru | Channel One | 1996 | advertising | documentary projects, educational projects, entertainment programs, talk shows | 4966.4 |
| 2x2tv.ru | ProfMedia TV, TV Channel 2x2 | 2007 | advertising | animated films, entertainment programs | 233.4 |

| NAME | OWNER OF THE RESOURCE OR OF THE COPYRIGHT FOR THE RESOURCE | LAUNCH DATE | BUSINESS MODEL | CONTENT TYPES | MONTHLY AUDIENCE (TNS WEB INDEX, JULY 2013), THOUSAND, PEOPLE |
|--------------------------|--|-------------|---------------------------|--|---|
| 5-tv.ru | OJSC TV and Radio Company St. Petersburg | | advertising | documentary projects, information programs | n.a. |
| amediateka.ru | LLC A serial | 2013 | subscription | TV series, feature films | n.a. |
| ayyo.ru | Ayyo | 2012 | pay-per-view | feature films | n.a. |
| cccp.tv | Uravo, State TV and Radio Fund of the Russian Federation | 2009 | advertising | programs for children, documentary projects, information programs, educational programs, entertainment programs, concerts, sports programs | n.a. |
| cinema.mosfilm.ru | KinoConcern Mosfilm | 2011 | advertising | feature films | n.a. |
| clipyou.ru | UTB Holding, ClipYou | 2011 | advertising | video spots | 430.8 |
| ctc.ru | TV channels CTC, CJSC TV channel CTC, CJSC CTC | | advertising | entertainment programs, TV series | 706.7 |
| disney.ru | Disney | 2008 | pay-per-view | animated films | 930.4 |
| dom2.ru | Gazprom-Media Holding, TV company TNT | 2004 | advertising | reality show | 1843.5 |
| domashniy.ru | CTC Media | 2011 | advertising | documentary projects, entertainment programs, TV series, feature films | 1713.2 |
| drugoekino.ru | Group of companies Carmen, DRUGOE KINO | 2002 | pay-per-view | feature films (arthouse) | n.a. |
| friday.ru | ProfMedia TV, TV channel PYATNITSA! | 2013 | advertising | entertainment programs | 432.9 |
| getmovies.ru | X Media Digital | 2004 | advertising, pay-per-view | programs for children, documentaries, animated films, educational programs, feature films | n.a. |

| NAME | OWNER OF THE RESOURCE OR OF THE COPYRIGHT FOR THE RESOURCE | LAUNCH DATE | BUSINESS MODEL | CONTENT TYPES | MONTHLY AUDIENCE (TNS WEB INDEX, JULY 2013), THOUSAND, PEOPLE |
|--------------------|--|-------------|---|---|---|
| ivi.ru | LLC Ivi.ru. ProfMedia | 2010 | advertising, subscription, pay-per-view | programs for children, documentary projects, concerts, educational program, entertainment programs, TV series, feature films, sports programs | 7589.7 |
| Jv.ru | LLC ZhiviMedia | 2009 | Advertising, subscription | educational programs | 410.1 |
| kvn.ru | Uravo. LLC TTO Amik | 2010 | advertising | concerts, entertainment programs | n.a. |
| megogo.net | Megogo | 2011 | advertising. subscription | videospots, documentaries, animated films, news, entertainment programs, TV series, feature films | 3797.1 |
| mirtv.ru | MIR TV | | advertising | documentaries, information programs | n.a. |
| molodejj.tv | Yellow. Black and White and Red Square | 2009 | Advertising | interview, entertainment programs, TV series, feature films | 800.8 |
| msn.com | Microsoft | 2007 | advertising | video spots, information and publicist programs | n.a. |
| muz-tv.ru | MUZ TV | 2012 | advertising | entertainment programs | 316.5 |
| myvi.ru | Movie | 2006 | advertising | animatedfilms, feature films | n.a. |
| newstube.ru | NewsTube | 2012 | advertising | documentary projects, news | 1597.7 |
| now.ru | NOW.RU FutureNow! | 2010 | advertising, pay-per-view, subscription | documentary projects, educational programs, entertainment programs, TV series, feature films | n.a. |
| ntv.ru | Gazprom-Media Holding, TV Company NTV | 1998 | advertising | documentary projects, news, educational programs, entertainment programs, TV series | n.a. |
| ntvplus.ru | OJSC NTV-PLUS | 2010 | pay-per-view. subscription | sports, feature films | n.a. |
| peretz.ru | CTC Media, TV channel Peretz | 2011 | advertising | entertainment programs, user content | n.a. |
| pik-tv.com | LLC PIK TV | 2009 | advertising | video spots, entertainment programs | 328.9 |

| NAME | OWNER OF THE RESOURCE OR OF THE COPYRIGHT FOR THE RESOURCE | LAUNCH DATE | BUSINESS MODEL | CONTENT TYPES | MONTHLY AUDIENCE (TNS WEB INDEX, JULY 2013), THOUSAND, PEOPLE |
|--------------------------|--|-------------|----------------------------|---|---|
| planeta-online.tv | CJSC TV company ADF TV (1996-2013) Internet portal PLANETA ONLINE | 2009 | advertising | videospots, educational programs and animated films | 3074.3 |
| pulter.ru | Pulter | 2008 | advertising | programs for children, documentary projects, TV series, feature films | n.a. |
| rbctv.ru | RBC Business Information Space | | advertising | information and analytics programs, news | 371.5 |
| ren-tv.com | National Media Group REN TV | n/a | advertising | documentary projects, information analysis programs, entertainment programs, feature films | n.a. |
| russia.tv | State Internet Channel Russia | 2006 | advertising | concerts, animation films, educational programs, TV series, feature films | 1525.6 |
| rutube | Gazprom-Media Holding, Rutube | 2006 | advertising | video spots, educational programs, usercontent, TV series, feature films, animation films | 5255.6 |
| smotri.com | Media Mir | 2007 | advertising, subscription | video spots, educational programs, user content, TV series, feature films, animation films | 3632.5 |
| stream.ru | LLC Stream, MTS | 2009 | pay-per-view, subscription | animated films, TV series, feature films | n.a. |
| svoy.ru | GC Svyaznoy | 2011 | advertising, pay-per-view | videospots, animated films, news, educational programs, TV series, feature films | 2693.2 |
| tnt-online.ru | Gazprom-Media Holding TV channel TNT | 2004 | advertising | entertainment programs, TV series | 2073.1 |
| trava.ru | MegaFon, Trava.RU | 2009 | pay-per-view | video spots, feature films, TV series, animated films, educational films, concerts, | 371.3 |
| tv3.ru | ProfMedia TV, TV3 Channel LLC | n/a | advertising | TV series, culture programs | n.a. |
| tvcenter.ru | TV Center | 2009 | advertising | documentary projects, concerts, information and analytic programs, educational programs, talk shows | 1210.7 |

| NAME | OWNER OF THE RESOURCE OR OF THE COPYRIGHT FOR THE RESOURCE | LAUNCH DATE | BUSINESS MODEL | CONTENT TYPES | MONTHLY AUDIENCE (TNS WEB INDEX, JULY 2013), THOUSAND, PEOPLE |
|------------------------------------|--|-------------|----------------------------|--|---|
| tvigle.ru | Twigle Media | 2007 | advertising, pay-per-view | programs for children, documentary programs, information programs, concerts, TV series, entertainment programs, educational programs, user content, feature films | 2818.4 |
| tvrain.ru | TV channel Dozhd | 2010 | advertising, subscription | educational programs, entertainment programs, talk shows | 2930.6 |
| tvzavr.ru | LLCTVZavr | 2010 | advertising, subscription | video spots, documentary projects, animated films, educational films, entertainment programs, TV series, sports, feature films | 2684.4 |
| tvzvezda.ru | OJSC TRK VSRF Zvezda | 2005 | advertising | documentary projects | n.a. |
| uravo.tv | URAVO Group | 2008 | advertising | programs for children, documentary projects, feature films | n.a. |
| u-tv.ru | UTH Russia. U | 2013 | advertising | entertainment programs, news of show business | n.a. |
| viaplay.ru | LLC Viasat Global | 2012 | subscription | documentary projects, educational programs, TV series, feature films, entertainment programs | n.a. |
| video.mail.ru | Mail.ru Group | 2006 | advertising | video spots, documentary projects, concerts, animated films, news, educational programs, user content, entertainment programs, reality show, TV series, sports, talk show, feature films | n.a. |
| video.ru | Video.ru | 2008 | pay-per-view, subscription | user content, TV series, feature films | n.a. |
| videomore.ru | CTC Media | 2010 | advertising | documentary projects, educational programs, entertainment shows, TV series, TV games, feature films | 1185,2 |
| vk.com | Vkontakte | 2007 | advertising | video spots, documentary projects, animated films, educational programs, entertainment programs, TV series, sport, feature films, user content | 51213,1 |
| yotaplay.ru (playfamily.ru) | LLC More | 2013 | pay-per-view | TV series, feature films | n.a. |

| NAME | OWNER OF THE RESOURCE OR OF THE COPYRIGHT FOR THE RESOURCE | LAUNCH DATE | BUSINESS MODEL | CONTENT TYPES | MONTHLY AUDIENCE (TNS WEB INDEX, JULY 2013), THOUSAND, PEOPLE |
|--------------------|--|-------------|---------------------------|--|---|
| youtube.com | Google | 2005 | advertising | video spots, documentary projects, animated films, TV programs, educational programs, users content, entertainment programs, feature films | 42038.8 |
| zabava.ru | OJSC Rostelecom | 2011 | advertising, pay-per-view | animated films, educational programs, TV series, feature films | n.a. |
| zoomby.ru | OJSC Web TV | 2010 | advertising | animated films, educational programs, entertainment programs, TV series, feature films, news, sports | 8922.9 |

Source: KVG Research, TNS Web Index

According to the latest data of the media research company TNS Russia, *Zoomby.ru* ranked as the leading film online VOD service, in terms of its reach. The audience of this resource corresponded to 8.9M Russians in July 2013. It is followed by *ivi.ru* (7.6M), *megogo.net* (3.8M), *Tvigle.ru* (2.8M), *TVZavr.ru* (2.7M) and *Videomore.ru* (1.1M).

RANKING OF LEGAL ONLINE CINEMAS OF RUNET. TNS WEB INDEX. JUNE-JULY 2013

| No | WEBSITE | WEBSITE AUDIENCE IN JUNE 2013. 12-64. RF 0+. THOUSAND PEOPLE | WEBSITE AUDIENCE IN JULY 2013. 12-64. RF 0+. THOUSAND PEOPLE |
|----------|--------------|--|--|
| 1 | Zoomby.ru | 8399.8 | 8922.9 |
| 2 | Ivi.ru | 7784.4 | 7589.7 |
| 3 | Megogo.net | 3724.5 | 3797.1 |
| 4 | Tvigle.ru | 7044.8 | 2818.4 |
| 5 | TVZavr.ru | 2731.2 | 2684.4 |
| 6 | Videomore.ru | 1192.8 | 1185.2 |

Source: TNS Web Index

Many online VOD services possessing content libraries, develop partner networks. Online services provide their partners with a ready-made option to broadcast video content and display video advertising on their web sites free of charge and draw interest from advertising placement. Among the leading market players, *Tvigle.ru* is most active in this context (its partner network amounts to nearly 100 companies) as well as *Videomore.ru* (nearly 30 platforms).

Looking at the audience of the video content shown by the online services, another rather different situation can be seen; *Tvigle.ru* ranks 1st whereas *Videomore.ru* ranks 2nd.

The total amount of content offered by six leading web sites corresponds, according to their own data, to over 170,000 units. In terms of these video portals you can find both foreign and Russian content: TV series, films, TV programs, entertainment shows, programs for children, music videos and concerts.

For example, *Tvigle.ru* asserts itself as entertainment Internet TV for educated viewers. The video portal offers multi-genre films, TV series, programs and video spots for free. This service also enables its users to upload their own content, while *Tvigle Media* who own the resource produce its own TV series, animated films and programs.

In 2010 the company *CTC Media* launched another popular video resource, namely *Videomore.ru*. Originally *CTC Media* made its own content available via the portal, whereas in 2012 *CTC Media* and *National Media Group* reached an agreement about their partnership in terms of the project *Videomore.ru*, which made it possible to watch the content of *REN TV* and *St. Petersburg TV* on the portal.

The video portal *Zoomby* contains films, TV series, video spots, sports programs, TV programs, news and animated films. It is possible to follow the broadcasting of some leading channels using the Catch Up TV service. According to the data of the resource, 40% of the video content placed on the web site is unique, which means it is not available through other video portals.

On the platform *ivi.ru*, viewers can enjoy the content of the leading Russian and foreign production companies: *BBC*, *National Geographic*, *Mosfilm*, *Lenfilm*, *Central Partnership*, *Gorky Film Studio* and many others. In 2012 *ivi.ru* began to work together with leading Hollywood film companies: *20thCenturyFox*, *WaltDisney*, *SonyPictures*, *Warner Bros Paramount Pictures* and *NBC Universal*. That is why the portal switched to a new business model and made certain types of the offered content fee-based for the viewer.

The Ukrainian *megogo.net*, possessing a library of 6,000 films, animated films, TV series, TV shows and concerts, has content at its disposal which is rather similar to the above mentioned resources. The service was established in 2011 and is available to viewers all over the world. Additionally in 2013 the video resource pulled together a special project for deaf and hard-of-hearing viewers, adding roughly 800 products with Russian subtitles.

TVZavr.ru offers a significant choice of films, TV series and programs for children. *Tvzavr.ru* was among the first Russian online cinemas which launched platforms outside of Russia, announcing in 2012 similar web sites available in Kazakhstan and Belarus.

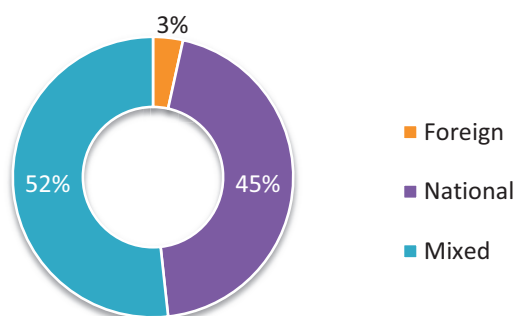
AUDIENCE OF VIDEO SPOTS PROVIDED BY LEGAL ONLINE SERVICES OF RUNET.
TNS WEB INDEX. JUNE-JULY 2013

| № | WEBSITE | AUDIENCE OF VIDEO SPOTS IN JUNE 2013. 12-64. RF 100 THOUSAND + THOUSAND PEOPLE | AUDIENCE OF VIDEO SPOTS IN JULY 2013. 12-64. RF 100K + THOUSAND PEOPLE |
|---|--------------|--|--|
| 1 | Tvigle.ru | 8040.4 | 6502.2 |
| 2 | Videomore.ru | 4021.2 | 4263.8 |
| 3 | Zoomby.ru | 3710.4 | 3669.3 |
| 4 | Ivi.ru | 3263.6 | 3125.4 |
| 5 | Megogo.net | 912.4 | 921.5 |
| 6 | TVZavr.ru | No data | No data |

Source: TNS Web Index

According to the data of *KVG Research*, 52% of all resources have both national and foreign content in their libraries. 45% of resources emphasize native projects, among them 88% correspond to video platforms affiliated with TV channels. According to the data of *zoomby.ru*, the most popular for their users are Russian TV series, which accounted for 27% of the total number of views. Only 3% of the sites provides users with foreign content.

BREAKDOWN OF ONLINE VIDEO RESOURCES BY CONTENT
(by the quantity of titles)



Source: KVG Research

5.3. Market Volume of the Internet Advertising Market and Monetization Methods

According to data of Russian Association of Communication Agencies, the Russian market of internet advertising increased in 2012 by 35% to RUB 56.3BN, which corresponded to 18.9% of the total advertising market volume in Russia, being 3.1% higher than in 2011. According to forecasts of the agency *Carat* (part of the group *Aegis Media*), in 2013 the expenditure of advertisers on the Internet will increase from 19% to 22%. In 3-4 years Internet advertising will occupy more than one-third of the advertising market in Russia.

In total, according to the estimations of *Gazprom-Media Digital*, in 2012 the revenue of platforms from video advertising in terms of *RuNet* achieved RUB 1.6BN. As a comparison, video spots on air cost RUB 140BN.⁵¹ Of all video platforms it is only *Videomore* whose financial results are available officially: its revenue for 2012 amounted to \$3.4M.

As it was before, AVOD (advertising), SVOD (subscription) and TVOD (Pay Per View, thereafter PPV) are the main monetization methods of video platforms in Russia. Also such models as DTO (download to own) and EST (electronic sell through) can be found in Russia. Both models are characterised by content downloading and the ability to watch it offline. The first model enables viewers to download content forever, the second one implies the viewer can only watch it for a certain – agreed - period of time.

According to the data of *KVG Research* out of 58 online video services offering licensed VOD, 37 services work according to the advertising model. 10 others act according to subscription or payment for view and 11 function according to the mixed business model; among them the leading Russian online services *ivi.ru*, *megogo.net*, *tvigle.ru* and others. Moreover, the market participants assume that it is the advertising business model which is the way forward.

Thereby, as market participants note, little by little many services switch to the mixed revenue model: the combination of advertising and paid revenue. This is partly caused by demands of foreign right holders, who give last seasons of their successful projects only if online platforms place the content according to the model TVOD. As a rule, there exist three general schemes in this case: a flat fee where the platform pays a fixed sum of money to the right holder for agreed content, a scheme of revenue sharing from advertising or subscription, or the combined scheme which involves payment of a minimum guarantee for the content and the division of revenue afterwards.

Most of online video market participants think that Russia will preserve the advertising business model as the main one, which refers to the tradition to consume the whole audio and video production. Russian viewers are accustomed to getting expensive premium content on the 21st terrestrial Russian TV channel absolutely free of charge.

⁵¹ "Passing by TV", newspaper *Vedomosti*, from March 12, 2013

5.4. iTunes and Google Play in Russia

The Apple Store *iTunes* opened in Russia at the beginning of 2012. Various music, films and books as well as applications for cell phones are available within the store. Within the section “Films” the user can purchase or “rent” a film. If the user decides to rent a film, he or she has 30 days to watch it by means of any Apple device (iPad, iPhone, iPod, Apple TV). The price of the film depends on its release date and quality and corresponds to 79, 129, 149, 199, 229, 249 or 349 RUB for purchase, and 49, 69 or 99 RUB for rental.

Within the library of iTunes, the user will find a large amount of content by the following production companies: *Central Partnership*, *Art Pictures Studio*, *Kremlin Films*, *Smeshariki*, *Racoon Cinema*, *Leopolis*, *Studio Trite*, *PJSC DIREKTSIYA KINO*, *Gorky Film Studio*, *Lenfilm*, *Disney* and others. *Central Partnership* was one of the first companies to cooperate with Apple. At the end of 2011 a contract was agreed between the two companies which enabled the distribution of films within AppStore as well as to involve application editors represented by the publishing house *Novaya Kniga* [New Book] (trade name *Aikino*) and the company *Slang Production*. AppStore is a section of iTunes where mobile applications are displayed. It had already been available to Russian users several years before the whole store was opened.

For example within AppStore *Slang Production* launched a special application for the *Central Partnership* comedy entitled *Svadba po obmenu* [Exchange Married], whereas *Aikino* launched a British TV series about King Arthur *Kamelot* [Camelot] (*Central Partnership* holds distribution rights for these TV series, in Russia). *Aikino* released the TV series as special applications, whereas *Slang Production* sold them through the application AppsFilmz. The corresponding price amounted to \$1.99-3.99.

Apart from that, the publishing house sold the Russian films *PiraMMMida* [The PiraMMMida] and *Gop-stop* [Gop-stop] by the company *Leopolos* through the AppStore as well as foreign films, although the company used to act as a distributor itself. Single films were sold through AppStore by the studio *Bazelevs*, too.

Selling films and TV series through AppStore, the store gets 30% of revenue and the rest is divided between the editor of the application (who bears the costs for its production) and the right holder. The right holder therefore received less than 50% of sales revenue⁵².

At the beginning of 2012, *Central Partnership* was the first company among Russian companies to sell its films through iTunes. The films, including *Dva dnya* [Two Days], *1612* [1612], *Boy s tenyu* [Battle against the shadow], *Paragraf-78* [Paragraph-78], *Pyat nevest* [Five Brides], *Stilyagi* [Hipsters] and others appeared within iTunes in the USA, Canada, Australia, New Zealand, Ireland, Great Britain and some European countries as well. The Russian speaking population outside Russia was expected to be the main target audience of these films. According to the data of the film studio, the countries where iTunes is available were inhabited by approximately 6M former or actual citizens of Russia. Apart from

⁵² “Central Partnership will show at AppStore” newspaper, *Vedomosti*, from December 9, 2011, http://www.vedomosti.ru/newspaper/article/272597/cpsh_pokazhet_v_appstore

that, *Central Partnership* assumed that the local population could be interested in Russian films, too. The films were distributed in Russian language with subtitles and cost \$1.25-12⁵³.

Film trading on Google Play started in Russia on December 11 2012. Licenses were signed with leading film studios among them *NBC Universal, Paramount Pictures, Sony Pictures Home Entertainment and Twentieth Century Fox*, as well as Russian film studios and distributors such as *PiraMMMida* and *X-Media Digital*. Within Google Play the user can buy (although not always) and rent films. On average it costs RUB 49-69 to rent a film, whereas the user must pay on average RUB 199-299 if he or she prefers to buy it.⁵⁴ It is possible to watch purchased (or rented) films online, having downloaded the application *Google Play Filmi* [Google Play Films].

Russian market players comment that today it is too early to talk about significant sales volume by means of iTunes and Google Play. However, in a year or two this business area can become very promising as already now most Russian full-length film production companies take this sales model into account in their business plan. Russian films are sold through iTunes more actively than on Google Play. Thus, according to estimations of the players, the revenue of right holders coming from film sales on the Russian Google Play are 5-7 times lower than as for the sales on the local iTunes version. Thereby, placing premiere film content on iTunes can earn the right holder several thousand dollars. The development of this market segment is troubled by restraints which refer to the content type: at the moment, Russian right holders can only sell films but not TV content. Russian production and distribution companies say that the video placement period, if performed by iTunes and Google Play themselves, can take up to one or two months which influences sales.

Thereby, as market participants notice, little by little many services switch to the mixed revenue model: a combination of advertising and paid revenue. This is partly caused by demands of foreign right holders, who give last seasons of their successful projects only if online platforms place the content, according to the model TVOD. As a rule, there exist three general schemes for this case: flat fee if the platform pays a fixed sum of money to the right holder for some certain content; scheme of revenue sharing from advertising or subscription as well as combined scheme, which includes payment of minimum guarantee for the content and division of revenue afterwards.

Most of online video market participants think that Russia will preserve the advertising business model as the main one, which refers to the tradition to consume the whole audio and video production. Russian viewers are accustomed to get expensive premium content on the 21st terrestrial Russian TV absolutely free of charge.

5.5. Catch Up TV

The service of Catch Up TV began to develop in Russia recently which is mainly due to the increased online activity of the largest Russian copyright holders, in this case corresponding to the TV broadcasting channels. As of year-end 2012, the user could find video content within almost all online-resources of broadcasting channels. Whereas two or three years ago it only referred to news or single

⁵³ "Russian films will be broadcast on iTunes», newspaper *Vedomosti*, from February 2012, http://www.vedomosti.ru/newspaper/article/275971/russkoe_kino_pokazhut_v_itunes

⁵⁴ "Films and books will appear on the Russian Google Play", *lenta.ru*, from December 11, 2012 <http://lenta.ru/news/2012/12/11/gplay/>

projects, many of which belonged to archives, recently the channels began to upload Catch Up TV series, documentaries and other TV products which they possessed all rights for. The content of *Russia.TV*, which belongs to *VGTRK*, amounts to over 20,000 titles among which the user can find news, information programs, TV series, music, entertainment programs and documentary projects. The episodes appear on the web site almost immediately after they are broadcast. After a period of time they are not deleted but are moved to the library of the resource. This also takes place on other web sites of the channel. For example, the website of *Channel One* has a video archive of over 51,000 titles and contains programs which have run on *Channel One* within the last few years. The web site library is updated according to the premiere releases on the channel.

In opinion of professional online video resources, the portal *Zoomby.ru* (controlled by *OJSC WebTV*, which is included into the internet holding *WebMediaGroup*) and *Videomore.ru* (*CTC Media*) belong to the leading ones, as for the development of Catch Up TV. In this context, *Zoomby* should be associated with channels *Russia 1*, *Russia 24*, *Moya planeta [My planet]*, *Sport 1*, *Russia K*, *TV Center*, *CTC*, *NTV* and *Fenix Kino (FenixplusTV)*. On average, *Zoomby* uploads 800 units of video content onto its Catch Up service every month.

The resource *Videomore.ru* uploads some TV series and programs in terms of its Catch Up service, referring not only to TV channels which belong to the holding *CTC Media* (*CTC*, *Domashniy*, *Peretz*), but also *REN TV* and *St. Petersburg TV*. These programs do not have any constraints in terms of their sales life. According to *Videomore.ru*, TV advertising is removed and replaced by video slots from advertisers linked to the resource itself. If the content belongs to foreign right holders, the service of catch up stops being so comprehensive: for example, in summer 2012, media company *CTC Media* announced that it would acquire rights to show the final season of *House M.D.* through its online service *Videomore.ru*, which displayed the video through the Catch Up service right after it had been broadcast on channel *Domashniy*. The user could watch the episode for four days after the broadcast before it was deleted from the resource. The Catch Up TV service was also available through the applications *Zoomby* and *Videomore* via TV sets supporting Smart TV.

Some other independent players of the online video market also offer the service of Catch Up TV, however, it is not as far-reaching as *Zoomby.ru* or *Videomore.ru* and refers mainly to foreign productions. For example, the company *Tvigle Media* is one of the few others which are trying to agree on the smallest time window after the premiere in the USA / in Europe. Among the most successful cases, displays of such TV series as *Walking Dead* can be taken as an example; every new episode of which used to be shown on the video resource as soon as one day after the premiere in the USA, already translated into Russian. Also, the company has already agreed to show season 4 of this TV serie, by means of the Catch Up TV service. *Tvigle* was also successful in negotiations with *BBC Worldwide* about providing Russian users with the opportunity to watch the premiere season 4 of the TV series *Misfits* at the end of October 2012, almost right after its broadcast on *Channel 4*.

The company *Ivi.ru* also offers Catch Up TV only for certain projects. In May 2013 this online service showed the *Sony Sci-Fi* TV channel's TV series *Hannibal* right after it was broadcast in the USA. In July 2013, it offered the original Spanish version of the TV series *Angel and Demon* and the mystic detective drama *Full Moon*. According to *Ivi.ru*, the most popular and awaited TV series available through the Catch Up service are available to their viewers for a longer time, for example the TV series of *CTC Kitchen* or Russian TV series *Angel and Demon*, whereas some others, which depends on the conditions of the right holders, disappear more quickly (as a rule, a month later).

Illegal web sites compete with legal platforms with online video. For example, popular American TV series of channels such as *FOX* (*House M.D.*, *Bones*, *The Simpsons* etc.), *ABC* (*Lost*, *Desperate Housewives*, *Modern Family* etc.), *HBO* (*Sex and the City*, *Boardwalk Empire*, *True Blood* etc.), *Showtime* (*Californication*, *The Borgias*, *Homeland* etc.) and others, in total over 100 titles get uploaded on *Turbofilm.tv*. Thereby, the participants of the Russian market of online video notice that Catch Up services help to compete with piracy. Reducing the time interval between TV and online broadcasts enables content to be made available for viewers, getting ahead of pirates, and gathering very large audiences. That is how, according to the data of *Tvigle Media*, season 2 and season 3 of *Walking Dead*, uploaded through Catch Up TV, obtained 20M views. The only difficulty, according to *Tvigle*, involves agreements with right holders, as not everybody understands the real value of publishing content quickly on legal platforms on the Internet in Russia.

Experts notice that Russian TV viewers and Internet users are not really aware of the main differences between TV content and non-TV content. Therefore, it is necessary to have a good and varied library of content containing different genres, to maintain the interest of users. Nevertheless, many of them rather appreciate broadcasting of TV content. In total, according to *KVG Research*, almost 50% of Russian online video resources have the service of Catch Up TV – on a constant or a one-off basis – at their disposal, including the online versions of broadcasting channels, too.

Apart from the portals, operators of Pay TV pull services similar to catch up in terms of functionality, to offer services which enable its viewers to watch programs immediately after they have been broadcast. For example *Vimpelcom* offers the service *Zapis efira* [Broadcast recording], whereas *MTS* calls its service *POVTOR-TV* [REPEAT-TV]. However, as a rule, they are implemented using PVR (personal video recorder) or DVR (digital video recorder) technology. In this case TV play station operates as a video recorder.

5.6. VOD on Smart TV

Within the last few years the technology of Smart TV has been getting more and more popular among Russian people. According to the research *OnLife* undertaken by the company *SynovateComcon*, 21.4% of active Russian Internet users took advantage of Smart TV technology at least once within three months, 67.6% of those even more often than once a week. According to the information of *ivi*, which is one of the leading companies in the area of legal online video, over 1.2M users of its application Smart TV, being at the same time inhabitants of Russia, watched over 35M videos per month. The monthly amount of views by means of Smart TV as for another leading market player, namely the company *Tvigle*, corresponds to 15M. The total amount of views through applications of *CTC Media* (*Videomore*, *CTC*, *Domashniy*, *Peretz*), amounts on average to 10-12M monthly, depending on the season.

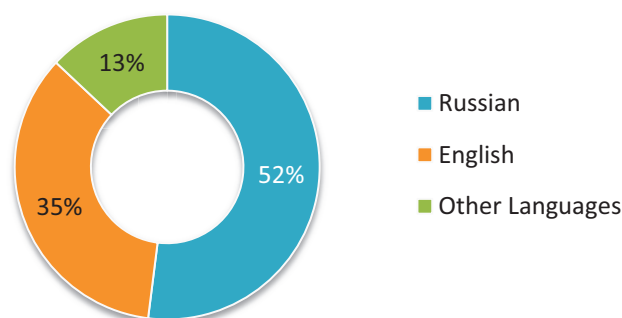
There exists no universal list of TV sets supporting Smart TV which are available on the Russian market. Within the *Yandex.Market* service which aggregates information of several Internet shops, you can find several models of TV set by the following manufacturers: Philips, Samsung, LG, Sony, Panasonic, Sharp, Toshiba and Supra. Within the first six months of 2013, the amount of TV sets they managed to sell in Russia was 2.5 times bigger than within the same period of time in 2012. According to *GfK Rus*, Russia ranked No.3 all over the world as far as sales of Smart TV are concerned, after China and Brazil, in comparison to the previous year, as it ranked No.5 (*GfK Rus* does not take the US market

into consideration). According to the evaluations of *M.video*, almost 40% of TV sets bought in 2013 in Russia support the function of Smart TV.⁵⁵

Almost all vendors have their own branded stores, where they more or less offer applications with the service of VOD. As some players of the online video market notice, the services of VOD acts as sale drivers for devices, that is why it should not be complicated to develop partnerships, as far as the strategy is concerned. The main targets about the partnership refer to the area of technical devices. According to the data of *KVG Research*, LG Smart TV occupies the leading position, in terms of the amount of such applications, as it offers roughly 90 national and foreign resources with audio visual products. It is followed by Sony Entertainment Network and Samsung Apps, whose catalogues contain over 30 applications with video content. The amount of VOD applications offered by Philips (AppGallery), Panasonic (VieraConnect) or Toshiba (ToshibaPlaces) fluctuates between 15 and 25.

Over 50% of all applications offered through professional stores by TV manufacturers use Russian as their base language. Their main part belongs to the leading Russian online video platforms: *tvigle.ru*, *ivi.ru*, *megogo.ru*, *now.ru*, *videomore.ru*, *zoomby.ru*, *play.ru* and others as well as applications of Russian channels (*Channel One*, *CTC*, *Domashny*, *Peretz*, *Dozhd* and *RBC*). 35% of the resources are English speaking; they predominantly contain informative, musical and educational content.

BREAKDOWN OF VOD APPLICATIONS FOR SMART TV, REFERRING TO LANGUAGE



Source: *KVG Research*, June 2013

All in all, as far as video types are concerned, 44% of applications have a varied, multigenre content: TV series, films, entertainment programs, documentary projects and many others. 13% of applications specialize exclusively in showing films and sitcoms and just as much on informative programs and news.

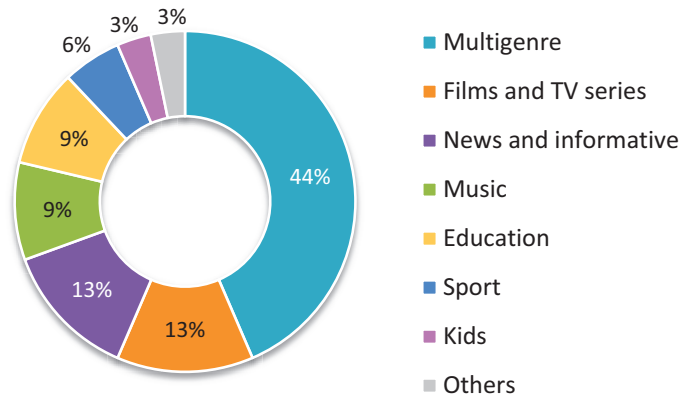
The revenue scheme of VOD applications for Smart TV is, all in all, similar to the scheme of online ones and consists of advertising, subscription and PPV elements. Currently, according to the data of *KVG Research*, 70% of the resources offering audio visual content for Smart TV are free of charge for the viewer. 12% are charge-based and 18% represent a mixed business model which in most cases means, in the context of Russian companies, that those who wish to shall pay a certain amount of money for

⁵⁵ "The population of Russia begin to enjoy Smart TV", newspaper *Vedomosti*, from July 18, 2013

the additional premium content. The price for example for one viewing of a feature film starts at RUB 29.

Video resource applications might differ from their online version with regard to both their content and the corresponding monetization. At *Tvigle Media*, the management comments that while developing Smart TV it is important to take into account the size of the screen and, as a consequence, alternative consumption forms by viewers. On Smart TV, as distinct from online services, it is the long content which runs better. Still, *ivi* does not give access to pay-content in its applications for Smart TV, but as representatives of *ivi* notice, it is not a difference which is to explain from the technical point of view but the prioritization. *Ivi* is mainly a free of charge resource that is why its applications were developed first of all for free of charge content. Little by little, the company intends to introduce the option to pay for the content; then the service *ivi+* will be available on Smart TV, too.

BREAKDOWN OF VOD APPLICATIONS FOR SMART TV,
REFERRING TO CONTENT TYPE



Source: KVG Research, June 2013

All in all, according to the comments of the market participants, Smart TV is currently a significant strategic direction, troubled so far by the lack of instrumentation system which makes real profits from this business complicated. Online cinemas predict that the main amount of money will arrive after the research organization by such leading companies as TNS, whose data are relied on by the most of advertising agencies and advertisers.

5.7. The Home Video Market in Russia

In 2012, market development tendencies in home video which first appeared within the last two years, was still present. First of all, it should be mentioned that the DVD format had been losing its popularity. According to the data of *Nevafilm Research*, for the year-end of 2012 – beginning of 2013,

only 4.4% cinema visitors and 5.8% internet users announced that they usually watch films using DVDs, whereas in the year 2011 these shares amounted to respectively 9.7% and 11.1%.⁵⁶

According to the research of *GfK*, in 2012 DVD sales had fallen by 18.7% to RUB 2.3BN. The decrease in popularity of DVDs caused a knock-on effect for DVD-player sales which in monetary terms corresponded to a decrease of 20%. The chain store *M.Video*'s research finds that in 2012 sales of DVDs and Blu-ray discs in Russia were 37% less in terms of revenue and 14.6% less in terms of volume compared to 2011.

That is why the online store *M.video* has started to retail other digital content, namely software, audio and video records. *M.video* media direction manager Nikita Tikhvinskiy interprets retailers interest for this content as a response to consumer refusal to buy content on material data storage devices, including CD and DVD. If the digital content sales model turns out to be easy to accomplish, the turnover of *M.video* will be boosted which will contribute to the general anti-piracy measures.⁵⁷

In this context, we should also mention the Blu-ray disc sector which all in all shows positive dynamics. In 2012 *GfK* reported a sales increase for Blu-ray discs by 15.8% to RUB 0.5BN. Apart from that, according to the estimation of the President of the film studio *Amedia* Alexander Akopov⁵⁸, the Russian market for Blu-ray discs could equal approximately \$50M in 2012, in monetary terms. As explained by the market player, the popularity of Blu-ray is also pushed by the increase in the number of 3D releases in cinemas as well as the opportunity to watch films in this format by means of set-top boxes. Eugene Rogachevskiy, manager of entertainment direction of the chain store *Media Markt* comments that the popularity of the Blu-ray format grows simultaneously with the price decrease of discs and the corresponding players: the user can often purchase the latest formats for the same price as usual DVDs.

The fall in demand for DVD is also experienced by distributors of pirate goods too. In 2012 the antipiracy association *Russkiy sshit* [Russian Shield] registered that various unlicensed content was sold for as much as approximately RUB 108M to RUB 144M, whereas in 2011 this statistic was RUB 144M to RUB 168M. The number of vendors which used to trade unlicensed discs was reduced, too: in 2011, 1,600-2,000 of such vendors were be registered in Moscow, whereas in 2012, only approximately 800 were still active in the Russian capital. However, the demand for unlicensed Blu-ray discs is still high: according to certain estimations, 80% of the total turnover accrues to unlicensed production, while its profitability can reach 500%.

In total, the decrease in demand for DVD and Blu-ray formats was caused by the increasing popularity of digital distribution of video content. In this case, both official and unlicensed sales and distribution of video production are concerned. It is obvious that the conflict between distributors of legal content and pirates, which is still present on the market of material data store devices, is now growing in terms of the digital distribution and the Internet.

⁵⁶ "Without discs", Ksenia Boletskaya, newspaper *Vedomosti*, from March 15, 2013, http://www.vedomosti.ru/newspaper/article/414021/bez_diskov#ixzz2jUDBmK3U

⁵⁷ "M.video begins to deal with digital content", Roman Dorokhov, newspaper *Vedomosti*, <http://www.vedomosti.ru/tech/news/17485611/mvideo-dobavila-cifru#ixzz2jUE647aU>

⁵⁸ "A ray of light for pirates", Valeriy Kodachikov, newspaper *Vedomosti*, http://www.vedomosti.ru/newspaper/article/410491/luch_sveta_dlya_piratov#ixzz2jUEdJB00

ANNEXES

1. Professional Associations for the TV Market

| NAME | ACTIVITIES | CONTACT INFORMATION |
|--|--|--|
| Professional Associations | | |
| Russian Association of Communication Agencies (RACA) | Voluntary associations of legal entities which are commercial organizations, performing professional activities in the sphere of advertising and commercial communication. | Address: Sushevsky Val str. 16, bld. 5, off. 1100. 127018 Moscow Phone number/fax: +7 (495) 662 39 88 akarussia.ru e-mail: akar@akarussia.ru |
| Association of Directors of Communications and Corporate Media in Russia | The only one branch association in Russia which unites communication and corporate media directors and is a founder of unique media contests and awards. | Address: Pravdi str. 24, bld. 4, off. 218 127137 Moscow Correspondence: 141014, Mytishchi-14, p/o 34 Phone number: +7 (495) 741 49 34 corpmedia.ru e-mail: akmr@medianews.ru |
| Association of Russian producers and consumers of radio relay communication | Non-profit organization for promotion of Russian radio relay communication systems. | Address: Butlerov str. 15, off. 243 117342 Moscow Phone number/fax: +7 (495) 334 46 55 aporrs.ru e-mail: info@aporrs.ru |
| HD Union | Non-profit organization, founded to consolidate all active players of the HD market and distribute HD TV and digital films on the Russian and international markets. | Phone number: +7 (495) 781 20 61 hdunion.ru e-mail: info@hdunion.ru |
| Association of regional communication operators | The association was founded to coordinate the entrepreneurial activity, provision and protection of common property interests of its members as for mobile wireless telephony (cellular telephony) and other types of communication. | Address: Sushevsky Val str. 27, bld. 2, off. 2.21 127018 Moscow Phone number: +7 (499) 922 49 52 rrto.ru e-mail: info@rrto.ru |

| NAME | ACTIVITIES | CONTACT INFORMATION |
|---|---|---|
| Cable Television Association of Russia | Voluntary association of organizations which are legal entities, founded in order to develop cable TV and systems of broadband wireless communication, coordinate the entrepreneurial activity and common aims as well as provide and protect common property interests. | Address (location): Neglinnaya str. 17, bld. 2 127051 Moscow Postal address: Neglinnaya Str. 17, bld. 2 127051 Moscow Phone number: +7 (495) 665 9 -72, +7 (495) 772 45 06 aktr.ru e-mail: info@aktr.ru |
| Association of Film and TV Producers | Consolidation of aims of Russian producers, aimed to strengthen economic, legal and professional basis of the branch performance and further development of the Russian film and TV industry. | rusproducers.com e-mail: ap_kit@mail.ru |
| Association of Cable TV and Teleinformation Networks Operators | The Association was founded by cable operators in order to protect their common interests and teamwork with TV companies (content providers) and equipment suppliers. | macatel.ru |
| Media Committee | The Committee has to satisfy the public's need to obtain true and complete information with regard to TV broadcasting, development of quality standards for the measuring systems for TV and radio audience as well as determination and interpretation systems as for the fact that a TV or a radio program or an advertising spot went on air; apart from that, the committee has to protect consumer and user rights from abuses or inappropriate services by means of professional expertise of measuring systems of TV and radio audience. | Address: Pyatnitskaya str. 25, bld. 1 115326 Moscow Phone number/fax: +7 (095) 953 90 30, 953 90 32 mediakomitet.ru E-mail: info@mediakomitet.ru |
| Media Union | Media Union cooperates with the mass media and independent journalists in Russia; It helps to implement the liberty of speech and press; It contributes to strengthening of social protection of journalists. | Address: Media Soyuz Zubovsky Boulevard 4 119034 Moscow Phone number: +7 (495) 637 38 32(48) mediasoyuz.ru e-mail: ms@mediasoyuz.ru |
| The National Association of Broadcasters (NAB) | It coordinates activities of TV and radio companies by dealing with setting up and distributing TV and radio programs on the territory of Russia and other activities which deal with TV and radio broadcasting. | Address: Neglinnaya str. 15, bld. 1 127051 Moscow Phone number: +7(495) 651 08 36 Fax: +7(495) 651 08 35 nat.ru e-mail: nat@nat.ru |

| NAME | ACTIVITIES | CONTACT INFORMATION |
|---|---|---|
| Animated Film Association | | Address: Vasilievskaya str., 13 Moscow Phone number: +7 (499) 254 21 00 animator.ru |
| Academies, Research Studies Institutions and Funds | | |
| Fund Russian Academy of Motion Picture Arts and Sciences | | Address: 109240 Moscow Nikoloyamskaya str. 26, bld. 1, floor 3 Phone number: +7 (495) 502 99 36 Fax: +7 (495) 502 99 34 tefi.ru e-mail: tefi@tefi.ru |
| Eurasian Academy of Television and Radio | Every possible support to develop and strengthen international partnership of the media communities among Eurasian countries. | Address: 107078 Moscow Basmannaya str. 12, bld. 1 Phone number: +7 (495) 783 39 90 Fax: +7 (495) 783 39 92 (ext. 113) eatr.ru e-mail: ruzin@eatr.ru, info@eatr.ru, eatr@eatr.ru |
| Federal State Institution "State Fund of Television and Radio programs" (Gosteleradiofond) | Unique collection of film, video and audio records. | Legal Address: Pyatnitskaya str. 25, bld. 1 115326 Moscow Actual and postal address: 107078 Moscow Novaya Basmannaya str. 19, bld. 1, p/o box 384 Phone number/fax: +7 (499) 265 74 95; +7 (499) 261 29 82 gtrf.ru, гтрф.рф, гостелерадиофонд.рф e-mail: gtrf@gtrf.ru |

| NAME | ACTIVITIES | CONTACT INFORMATION |
|---|--|---|
| MIP Academy – Institute of Advanced Training for Specialists of Broadcasting | The only education institution in this sphere. During 40 years of its work, over 60 thousand specialists have taken an advanced training course and are able to top up their qualifications there. | Address: Oktyabrskaya str. 105, bld. 2 Moscow 127521 Phone number: +7 (495) 689 41 85 Fax: +7 (495) 689 45 75. Teletype: 207954/2 PATb ipk.ru e-mail: rtv@ipk.ru – Institute of Advanced Training for Specialists of Broadcasting info@ipk.ru – information department |
| International Academy of Television and Radio (IATR) | Non-governmental organization, aiming to enlarge and enhance creative interaction and exchange among broadcasting specialists, regardless of political and geographical boundaries. | Address: Ozerkovskaya emb. 52, bld. 1 115054 Moscow Phone number: +7 (495) 647 60 60 Fax: +7 (495) 647 60 59 interatr.org e-mail: off.@interatr.org |
| Moscow Scientific Research Television Institute | One of the leading companies in the TV industry specializing in elaborate TV equipment. | Address: Golyanovskaya str. 7a, bld. 1 105094 Moscow Reception phone number: +7 (499) 763 45 42 Fax: +7 (499) 763 44 81 mniti.ru e-mail: mniti@mniti.ru |
| The Minz Radio-technical Institute | One of the leading companies dealing with the development of complex radio-technical systems. | Address: 8. Marta str. 10, bld. 1 127083 Moscow Phone number: +7 (495) 612 99 76 rti-mints.ru e-mail: info@rti-mints.ru |
| Russian Academy of Radio (RAR) | The main target is to unite the attempts of broadcasters to develop the Russian radio industry and strengthen its influence within the media sphere. | Address: Pyatnitskaya str. 25, bld. 1, off. 339 115035 Moscow Phone number: + 7(495) 950 62 63; 950 66 55 radioacademy.ru |
| The Bonch-Bruевич Saint-Petersburg State University of Telecommunications | Fundamental University in the sphere of communications and TV communication. | Address: Reki Moiki emb. 61 191186 St. Petersburg Phone number: +7 (812) 326 31 50 sut.ru e-mail: rector@sut.ru |

| NAME | ACTIVITIES | CONTACT INFORMATION |
|---|--|---|
| Federal State Unitary Enterprise Radio Research and Development Institute (NIIR) | The system institute of the Ministry of Communication and Media of the Russian Federation as for the sphere of development of radio communication systems, satellite and terrestrial systems of TV and audio broadcasting and development of radio technologies. | Address: Kazakova str. 16 105064 Moscow Phone number: +7 (499) 261 36 94 Fax: +7 (499) 261 00 90 niir.ru e-mail: info@niir.ru |
| Television Research Institute | Multi-industry specialized company of military-industrial complex, developing unique scientific and technical products for the most significant areas of TV and electro-optic equipment. | Address: Politechnicheskaya str. 22 194021 St. Petersburg Phone number: +7 (812) 297 41 67; fax: 552 25 51 niitv.ru e-mail: niitv@niitv.ru |
| State Specialized Design Institute of Radio and Television | The Institute performs the whole complex of design works: engineer and exploratory works, process and structural design and costing. The biggest unique broadcasting objects, radio-relay communication lines, systems of satellite communication, special facilities etc. | Address: Nikoloyamskoy per. 3A 109004 Moscow Phone number: +7 (495) 915 71 28 Fax: +7 (495) 915 20 21 gspirtv.ru e-mail: gspi@gspirtv.ru |
| Analytical Centre of Video International | The Centre is a unique research institution on the Russian market, where: <ul style="list-style-type: none"> - various information about international and Russian media and advertising environment is collected and systematized; - original research projects are implemented; - analysis and expert research of property, trends and prospects of the advertising market is carried out; - scientifically proven forecast of development of the media industry and advertising market etc. is developed. | Address: Gorbunov str. 2, bld. 204 121596 Moscow Phone number: +7 (495) 737 87 44 Fax: +7 (495) 737 87 09 acvi.ru e-mail: acvi@vitpc.com |
| J'son & Partners Consulting | Leading international consulting company specialized in telecommunication, media, IT and innovation technology markets in Russia, the CIS and Central Asia. | Address: Armyansky per. 11/2a 101990 Moscow Phone number: +7 (495) 625 72 45, +7 (495) 623 55 01, +7 (495) 627 09 05, +7 (495) 625 91 77 json.ru |

| NAME | ACTIVITIES | CONTACT INFORMATION |
|--|---|---|
| ComScore | Leading internet technology company that provides analytics for a digital world. | Address: Begovaya str. 3, bld. 1 1252849 Moscow Receptionist: +7 (499) 277 14 93 comscore.com e-mail: russia@comscore.com |
| KVG Research | Part of the group of companies Key Vision Group, which specializes in marketing research in the media sphere. The main focus area of KVG Research is to analyze the TV market and its main players. | Address: Leo Tolstoy str. 8, bld. 2 119034 Moscow Phone number: +7 (499) 246 33 54, +7 (499) 246 29 20 keyvisiongroup.ru e-mail: info@kvgresearch.ru |
| NEVAFILM | Research department of the company Nevafilm in the sphere of Russian cinemas. The department focuses its work on the research of markets in Moscow, St. Petersburg and other Russian regions and conducts research of cinema markets of the CIS and international trends in cinema development. | Address in St. Petersburg: 199397 St. Petersburg, Korablestroiteli str. 33/2 B Phone number: +7 (812) 449 70 70, fax: +7 (812) 352 69 69 Address in Moscow: 127051 Moscow Tsvetnoy Boulevard 30, bld. 1 Business-centre "Tsvetnoy 30", Floor 3, off. 307 Phone number/ fax: +7 (495) 694 26 15 e-mail: research.nevafilm.ru |
| Sociological Research Companies | | |
| Synovate Comcon | Specializes in research of consumer preferences and motivations, segmentation and search of new market possibilities, testing of advertising ideas, conceptions of brands, products and packaging as well as media research. | Address: 115280 Moscow Masterkov str. 4 Phone number: +7 (495) 502 98 98 Fax: +7 (495) 502 98 99 www.comcon-2.com |
| GfK RUS | The Institute of Marketing Research GfK RUS is a daughter company of the internationally leading research company GfK Group. | Address: 109428 Moscow Ryazansky prostp. 8a Phone number: +7 (495) 937 72 22 Fax: +7 (495) 937 72 33 gfk.ru e-mail: mail@gfk.ru |

| NAME | ACTIVITIES | CONTACT INFORMATION |
|---|--|---|
| Russian Public Opinion Research Center | Multi-industry full service research company. | Address: 119072 Moscow Bolotnaya emb. 7, bld. 1 Phone number/fax: +7 (495) 748 08 07 wciom.ru e-mail: web@wciom.com |
| TNS | Performs full range of work as for media metrics monitoring of advertising and marketing research. | Address: 127018 Moscow Dvintsev Str. 12, bld. 1 Phone number: +7 (495) 935 87 18 Fax: +7 (495) 626 52 28 tns-global.ru e-mail: tns@tns-global.ru |

2. Main TV Companies and Production Companies in Russia

| | | | |
|---|---|---|------------------|
| Art Pictures Vision | 101000 Moscow Kolpachniy lane 6, bld. 5, off. 22 | +7 (499) 143 49 04 | art-pictures.ru |
| Comedy Club Production | 129090 Moscow Messhanskaya str. 7/21, bld. 4 | +7 (495) 543 88 88 | comedyclub.ru |
| Dixi Media | 125040 Moscow Raskovoy str. 16/18 | +7 (495) 612 25 30 | dixi.tv |
| DT Production | 119034 Moscow 1-y Zachatyevskiy lane 15 | +7 (495) 777 08 21 | dtproduction.ru |
| Intra Communications | 197198 St. Petersburg Zverinskaya str. 7/9, off. 12 | +7 (812) 718 41 30 | intratv.net |
| Masterskaya Movie Company | 129594 Moscow 12-y Maryinoy Roshchi proezd. 8, bld. 2 | +7 (495) 771 68 04 | masterskaya.tv |
| Star Media | 109382 Moscow Nijniye Polya str. 31, bld.1 | +7 (495) 356 54 00 | starmediafilm.ru |
| Story First Production | 125254 Moscow Leningradskiy prosp. 31A | +7 (495) 785 63 33 | ctcmedia.ru |
| United Multimedia Projects | 129226 Moscow Sergeya Eyzenshteyna str. 8 | +7 (499) 181 16 42, +7 (495) 449 13 13 | umpstudio.com |
| W Media [WestcotMedia] | 129301 Moscow Kasatkina str. 11 | +7 (495) 658 59 71 | wmedia.ru |
| Yellow, Black and White Production | 125254 Moscow Leningradskiy prosp. 31AC1 business center "Monarkh", floor 31 | +7 (495) 517 92 46 | ybw-group.ru |
| ARS company.ru [ARS] | 125047 Moscow Aleksandra Nevskogo str. 19-25 | +7 (495) 613 44 87 | ars-company.ru |
| ArtLine | 1252012 Moscow Vyborgskaya str. 16, bld. 1 | +7 (495) 927 01 77 | |
| WeiT Media | 129110 Moscow Mira prosp. 71, bld. 5 | +7 (495) 981 19 14 | weitmedia.com |
| Russian World Studios RWS [Vsemirnie Russkie Studii] | 129110 Moscow Sshepkina str. 51/4, bld. 1 | +7 (495) 229 63 73 | rwstudios.ru |

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|---|---|--------------------|---------------------|
| Galileo Media | 125183 Moscow Gnerala Rychagova str.21 | | galileo-tv.ru |
| "Gamma-Production" Ltd. [GK GAMMA] | 197110 St. Petersburg Krestovskiy prosp. 23 A | +7 (812) 235 07 00 | gamma-production.ru |
| GoodStoryMedia | 115088 Moscow Novoostapovskaya str. 5, bld. 3 | +7 (495) 542 43 32 | |
| United Media Group [Edinaya Media Gruppa] | 129090 Moscow Bolshaya Spasskaya str. 13, bld. 1 | +7 (495) 680 37 47 | |
| KEFIR PRODUCTION | 107078 Moscow Novaya Basmannaya str. 23, bld. 2 | +7 (495) 651 95 99 | kefir-prod.ru |
| Rumedia Film company [Kinokompaniya Rumedia] | 125167 Moscow Viktorenko str. 11, bld. 36, off. 5 | +7 (495) 592 86 79 | ru-media.com |
| AMEDIA Film company [Kinokompaniya AMEDIA] | 115088 Moscow Novoostapovskaya str. 5, bld. 3 | +7 (495) 744 17 17 | amediafilm.com |
| Pyramid Film Company [Kinokompaniya Piramida] | 125080 Moscow Surikova str. 24 | +7 (495) 258 80 74 | pyramidfilm.ru |
| Russkoe Film Company [Kinokompaniya Russkoe] | 115088 Moscow Ugreshskaya str. 2, bld. 76, off. 106 | +7 (495) 933 95 98 | russkoe-kino.ru |
| TVINDIE Film Production [Kinokompaniya Tvindi] | 101000 Moscow Pokrovkastr. 9, bld.1 | +7 (495) 625 70 58 | tvindie.ru |
| Kinoprom Distribution [Kinoprom] | 352630 Belorechensk Mira str. 75, floor 4, off. 3 | +7 (964) 897 11 99 | kinoprom.net |
| Versya Film Studiya [Kinostudia Versiya] | 119590 Moscow Dovzhenko str. 12 | +7 (985) 786 08 55 | |
| Red Square [Krasniy Kvadrat] | 127427 Moscow Akademika Koroleva str. 12 | +7 (495) 646 34 64 | red-red.ru |
| Mars Media Entertainment [Mars Media] | 119034 Moscow 1-y Zachatyevskiy lane 15 | +7 (495) 777 08 20 | marsme.ru |
| Mastiff Zodiak Media Company [Mastiff] | 119911 Moscow Timura Frunze str. 11, bld. 44 | +7 (495) 514 22 98 | |
| MB Group | 125124 Moscow Pravdi str. 24, bld. 11 | +7 (499) 257 30 31 | mb-group.ru |
| Mir Reality Production | 115088 Moscow Novoostapovskaya str. 5, bld. 3 | +7 (495) 542 43 32 | mirreality.ru |

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|---|---|---|-----------------|
| Mostelefilm | 109382 Moscow Nizhniye polya str. 31 | +7 (495) 609 69 81, +7 (495) 609 69 82 | mostelefilm.ru |
| NTV-Kino [NTV-Kino] | 129226 Moscow Sergeya Eyzenshteyna str. 8, bld. 1, floor 3, block 3, off. 503 | +7 (499) 602 38 38 | ntvkino.ru |
| United Media [Ob'edinennie media] | 115516 Moscow Luganskayastr. 4, bld. 1 | +7 (495) 745 39 82 | |
| Prime Cinema | 127427 Moscow Akademika Koroleva str. 21 | +7 (495) 994 49 77 | prc.tv |
| Group of Companies "PRIOR" [PRIOR Production] | 125040 Moscow Leningradskiy prosp. 26, bld. 1, floor 3 | +7 (495) 276 09 20, +7 (495) 614 91 18 | priorgroup.ru |
| Sreda Production Company [Prodyuserskaya kompaniya "Sreda"] | 115088 Moscow Novoostapovskaya str. 5, bld. 3 | +7 (495) 542 43 33 | sredatv.ru |
| Production Company Mediaprofsoyuz [Prodyuserskaya kompaniya Mediaprofsoyuz] | 129226 Moscow Sergeya Eyzenshteyna str. 8, off. 223-225 | +7 (499) 181 22 36 | mediaps.ru |
| LEAN-M Production Company [Prodyuserskiy Tsentr LEAN-M] | 127106 Moscow Gostinichnaya str. 5, bld. 10 | +7 (495) 775 37 70 | lean-m.ru |
| Sergey Zhigunov's Production Company [Prodyuserskiy Tsentr Sergeya Zhigunova] | 129164 Moscow Mira prosp. 124, bld. 8, app. 236 | +7 (499) 143 07 55 | |
| IGOR TOLSTUNOV'S PRODUCTION COMPANY PROFIT [Profit] | 119991 Moscow Mosfilmovskaya str. 1 | +7 (495) 937 71 92 | profitkino.ru |
| Production Company Profi M [PC Profi M] | 127427 Moscow Akademika Koroleva str. 21 | +7 (495) 782 12 49 | |
| Association Nashe Kino [ROO Assotsiatsiya Nashe Kino] | 125993 Moscow Pravdi str. 24, bld. 4 | +7(495) 649 85 60, +7(495) 988 61 35 | as-nashekino.ru |
| 2V Studio [Studia 2V] | 121552 Moscow Ostrovnyaya str. 1 | +7 (495) 234 52 76 | studio2v.ru |

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| AnkorStudio [StudiyaAnkor] | 127059 Moscow Berezhkovskaya emb. 20, bld. 33 | +7 (495) 645 17 02 | ankor-studio.ru |
| Yuriy Belenkiy's Studio Harmony [Studiya Garmoniya] | 115114 Moscow Derbenevskaya str. 20, bld.26 | +7 (495) 775 97 27 | garmonia.tv |
| Film Studio Green-Film [Studiya Green Film] | 197101 St. Petersburg Mifa str. 3, office 411 | +7 (812) 644 42 01 | green-film.ru |
| Ivan Usachev's Production Centre [Studiya Ivana Usacheva] | 129515 Moscow Hovanskaya str. 6, app. 199 | +7 (985) 773 51 94 | |
| Production centre Pro100film [Studiya PRO100 Film] | 127055 Moscow Obraztsova str. 14 | +7 (495) 681 40 29 | priorgroup.ru/ prostofilm |
| Studio Russian Project [Studiya Russkiy Projekt] | 121069 Moscow Povarskaya str. 26, app. 44 | +7 (499) 143 95 35 | |
| TeleALLIANCE | 101000 Moscow Lubyanskiy proezd 19, bld. 2 | +7 (495) 232 31 39 | telealliance.ru |
| VID TV company [Telekompaniya VID] | 127000 Moscow Akademika Koroleva str. 12 | +7 (495) 254 32 55 | |
| Ostankino TV company [Telekompaniya Ostankino] | 127000 Moscow Akademika Koroleva str. 12 | +7 (495) 617 91 92 | tv-ostankino.ru |
| TRIIKS MEDIA FILM COMPANY [Triiksmedia] | 197101 St. Petersburg Mira str. 15 | +7 (812) 456 55 13 | 3xmedia.ru |
| Favorit-Film | 121596 Moscow Tolbukhina str. 13, bld. 2 | +7 (495) 748 43- 92 | favoritfilm.ru |
| Format TV | 119034 Moscow Zubovskiy boulevard. 22/39 | +7 (499) 245 63 05, +7 (495) 245 49 79 | formattv.ru |
| CENTRAL PARTNERSHIP Film Company [Tsentral Partnership] | 119034 Moscow Ostozhenka str. 17-19 | +7 (495) 777 49 61 | centpart.ru |

3. Main Russian Professional TV Events (Markets, Festivals, Awards)

| EVENT | DATE AS FOR 2013 | VENUE | DESCRIPTION | WEBSITE |
|---|--------------------------|--------|--|-----------------------|
| International exhibition and forum CSTB'2013 | 29 – 31 January | Moscow | The exhibition covers all modern formats and trends of television and telecommunication technologies: digital, cable, satellite and terrestrial television; IPTV, OTT; mobile TV, HDTV; 3DTV; TV content; mobile multimedia communication lines; multiservice networks; satellite communication lines. | cstb.ru |
| National Award in the field of digital TV “Bolshaya Tsifra-2013” | 30 January | Moscow | National Award “Bolshaya Tsifra – 2013” is carried out by four nomination categories: Operating Company; Equipment and Technologies for Digital TV and radio broadcasting; New Russian Television and Foreign Television in Russia. | bigdigit.ru |
| Open Russian Festival of Animated Film | 27 February – 4 March | Suzdal | The Open Russian Festival of Animated Film first appeared in 1996. Among the applicants there were movies released within the previous three years, representing not only feature films but also advertising spots, video clips and title sequences. Besides usual awards, another ranking of movies was arranged in terms of the festival; all guests of the festival could vote. This voting became a tradition and has been preserved until now. Since 2002, the festival has taken place in the City of Suzdal, which is situated in the Vladimir Region. Annually, over 1500 professionals from 40 Russian studios, students of specialized schools and admirers of animation visit the festival. | suzdalfest.ru |
| III International Forum “CONNECTED TV & VIDEO. Internet TV · Smart TV · Mobile TV” | 5 March | Moscow | Over 300 representatives of the business community and government authorities, leading operators, ISP-providers, producers and aggregators of TV and video content, right holders, TV channels, studios, broadcasters, cable networks, advertisers, advertising agencies and vendors, as well as manufacturers and suppliers of equipment, staff and program solutions, system integrators, representatives of startups and investment funds visit this forum. | connectedtv-forum.com |

| EVENT | DATE AS FOR 2013 | VENUE | DESCRIPTION | WEBSITE |
|--|------------------|--|--|------------------------|
| Award of Association of Producers | 17 March | Moscow | The contest was arranged among Russian TV films and TV series, broadcast in the year 2012. | festme.com |
| IV International Conference “Digital broadcasting and new ways of video content delivery. Interactive services in modern networks Digital & Connected TV Russia 2013” | 26 March | Moscow | The international conference “Digital broadcasting and new ways of video content delivery. Interactive services in modern networks Digital & Connected TV Russia 2013” is an important event for players of the Pay TV market which takes place supported by key international TV-organizations and specialized governmental institutions. | comnews-conferences.ru |
| FilmAward “Nika-2013” | 2 April | Moscow | “Nika” stands the National Award of the National Academy of Motion Picture Arts and Sciences of Russia. It is one of the main film awards in Russia, the CIS and the Baltic states. Every winner in every category gets a statuette of the winged goddess Nike. | kino-nika.com |
| XIV annual FORUM of multiple service operators “MULTISERVICE -2013” | 12-18 April | Yekaterinburg, leisurebase “Ivolga” | The highly topical program covers the problems of current legal issues, managerial decisions and development prospects. The event is mainly set up by panel discussions. | latel.ru |
| Panel discussion “Digital broadcasting: prospects for the development of television in regions” | 17 April | Nizhny Novgorod | | nat.ru |
| Festival of socially relevant television programs and TV films “Geroy | 1 - 4 May | Moscow – Tver’ – Uglich – Mishkin – Moscow | The main aim of the Festival is to draw the attention of television and production companies to creation of programs and films referring to genuine human values. “Hero of our time” is an attempt to portray a contemporary who could be | nat.ru |

| EVENT | DATE AS FOR 2013 | VENUE | DESCRIPTION | WEBSITE |
|---|------------------|--------|--|-----------------|
| nashego vremeni” [Hero of Our Time] | | | interesting because of his character, life philosophy, attitude to various changes, who characterizes Russia of the 21 st century, developing rather dynamically, and, which is the most important point, because of his own role in these changes. | |
| MIPAcademy Moscow DO – international forum and education program | 12 – 13 May | Moscow | In terms of the forum of the education program MIPAcademy Moscow DO, international experts teach Russian specialists to set up transmedia content, manage the transmedia process, promote the content for the international market and protect their copyright. | mipacademy.ru |
| International Broadcast Content Market MOSCOW TELESHOW | 14 – 16 May | Moscow | The International Broadcast Content Market MOSCOW TELESHOW is the only one for Russian Market of films and programs for terrestrial, cable and satellite television and video. Among the market players there are production centers, TV channels, Russian and foreign TV studios, distributor companies, producers of TV and video production, companies, which deal with copyright protection and licensure, representatives of the mass media. | teleshov.ru |
| V Conference MediaBrand | 28 – 29 May | Moscow | The conference is devoted to the following: branding, promotion and design of electronic media. Furthermore, the phenomenon “SOCIAL TV”, “Everything about launching of cable channels”, “The most interesting promotion tricks”, “STATE OF DESIGN”, “How to turn foreign content into your own” and other important topics and tendencies will be discussed in terms of the conference. | mediabrand.me |
| XVI All-Russia Forum “Telecommunication Development in Russia” | 28 – 31 May | Sochi | This year’s forum is expected to cover relevant questions of the development of the telecommunication branch, technological innovations and tendencies, in particular, implementation and modernization of information and telecommunication infrastructure, private-state partnership while carrying out of telecommunication projects, solutions and technologies for overcoming digital inequality and prospective trends as for telecommunication lines. | expo-telecom.ru |

| EVENT | DATE AS FOR 2013 | VENUE | DESCRIPTION | WEBSITE |
|--|------------------|--------|--|-----------|
| Children's Television Festival | 6 – 8 June | Moscow | In terms of the Festival, guests are able to talk to well-known film directors, journalists and experts, as well as to take part in workshops devoted to teaching and working with software and technical equipment used to produce television content. | fapmc.ru |
| International Children Festival "Vkluchaysya!" [Get Switched on!] | 6 – 8 June | Moscow | The Festival "Vkluchaysya!" is a contest of TV programs and films for children and young people, produced in studios, where children under 18 participate actively, and TV companies, producing programs for children. The program of the Festival involves meetings with well-known TV figures, experience exchange among representatives of children studios, open show of applications, sent to the festival. | nat.ru |
| XVI Multi-regional festival of military-patriotic television and radio programs "Shhit rossii" [The Shield of Russia] | 9 – 12 June | Perm | The Festival is devoted to anniversaries of the most important victories during the Great Patriotic War, which are the battle of Stalingrad, blockade running of Leningrad and the tank battle in the field of Prochorovka. | |
| International Innovation Forum rASIA.com | 24 – 25 June | Moscow | Chief executives of Russian and foreign telecommunication companies participate in this forum. TELL Forum features presentations of the leading specialists, who are at the same time global world leaders. | rasia.com |
| Moscow Business Square at the Moscow International Film Festival | 24 – 26 June | Moscow | Moscow Business Square is one of the biggest international business platforms for film professionals within the former Soviet Union, taking place at the Moscow International Film Festival since 2009. The main initiative of Moscow Business Square is Moscow Co-production Forum. The Forum is an efficient platform for development of film co-production between Russia and the rest of the world. In 2012, the event was visited by over 400 producers, distributors and other specialists from over 30 countries. In 2012, five panel discussions and one workshop were arranged within the business program of Moscow Business Square. | miffbs.ru |

| EVENT | DATE AS FOR 2013 | VENUE | DESCRIPTION | WEBSITE |
|---|-------------------|---------------|--|----------------------|
| All-Russian festival of regional mass media “Moya Provintsiya” [My Province] | 25 – 28 July | Sayanogorsk | The Festival is intended for cities of the Russian Federation and aims to create content within the local television, radio and press, which attracts attention to Russian regions. This year the category “Moya Provintsiya” was added to the already present ones – it should be won by a film, a program or a story with a run time of 20 minutes which tells about the appeal of a certain region for investors or tourists. | myprovince.ru |
| All-Russia Festival “Voice of Eurasia” | 28 August | Ufa | The main target of the festival is to look for and display outstanding works devoted to ethnography and culturology, new names, original director conceptions producing creative projects of this style. | ufa.rfn.ru |
| Mediaforum “Enisej.RF – 2013” | 2 – 14 September | Krasnoyarsk | The Mediaforum has become a platform where representatives of the mass media and journalistic community, management of state institutions and local self-government of the Krasnoyarsk Territory and regions of the Siberian Federal District exchange experience and discuss current questions of the media scene. | медиафорум-енисей.рф |
| 5th International Sport Movies and TV Festival | 10 – 13 September | Samara Region | The International Sport Movies and TV Festival has been arranged since 2009 in different Russian cities. The target of the Festival is to popularize healthy lifestyles, develop the feature and documentary film industry devoted to sports, and confirm the image of Russia as a great sports nation. The festival intends to contribute to establishing close connections between sports journalists, film directors, actors and people who assist in order to produce such sports films which would be a remarkable fact of the film industry. | sportmovies.tv.ru |
| XV International Convention and Trade Fair “Kino Expo” | 15 – 19 September | St.Petersburg | The annual International Professional Forum of Film Industry involves cinemas, film distribution and film production. “Kino Expo” belongs to the three biggest world conventions of film industry. It is the centre of business communication of representatives of Russian and international film business and the main annual event for the film industry of Russia, the CIS and the Baltic countries. | kinoexpo.ru |

| EVENT | DATE AS FOR 2013 | VENUE | DESCRIPTION | WEBSITE |
|---|--------------------------|-----------------|--|------------------|
| X Television Films and Programs Festival “Berega” [Banks] | 18 – 20 September | Tarusa | The Festival is arranged to attract attention of journalistic community of electronic mass media to preserve and develop cultural, national, moral and family traditions of Russian regions, to raise patriotic and civil self-consciousness of growing up generation. | kaluga.rfn.ru |
| International Television Festival “TEFI – Commonwealth” | 20 – 23 September | Odessa | The Fund “Russian Academy of Cinema Arts and Sciences” and the Intergovernmental Foundation for Educational, Scientific and Cultural Cooperation (MFGS) founded the festival in 2011. October 19-20 2011 in Kiev the First International Television Festival “TEFI-Ccommonwealth” was held. The second festival takes place in Astana on 14-16 October. 54 works on the topic of “People, years, life” were sent by the participants to the fund “ART”, in order to take part in the festival. As a result of selection, 20 works by 15 TV companies from 10 countries were included into the festival program: Azerbaijan, Armenia, Georgia, Kazakhstan, Moldova, Russia, Tajikistan, Uzbekistan, Belarus and Ukraine. On September 16 a Great Closing Ceremony took place where 10 out of 20 participating programs were awarded special prizes. | tefi.ru |
| Dutch Cinema Week | 23 – 29 September | Moscow | The program presents the latest trends in Dutch cinematography to the Moscow audience. Moscow citizens and guests of the Russian capital will have an opportunity to watch seven Dutch films. | arbat-moskino.ru |
| VIII International Multimedia Festival “Zhivoe Slovo - 2013” [Living Word] | 26 – 28 September | Nizhni Novgorod | The target of the festival is to attract attention of representatives of the mass media to the form of the journalistic expression and to boost the standard of education of information distribution. | zhivoeslovo.ru |
| ManhattanShortFilmFestival 2013 | 29 September - 6 October | St.Petersburg | This year, it should be voted not only for the best film but also for the best lead actor. In the program of 2013 the following countries will take part: Australia, France, Finland, USA, Ireland and England. | domkino.spb.ru |

| EVENT | DATE AS FOR 2013 | VENUE | DESCRIPTION | WEBSITE |
|--|------------------|-----------|--|----------------|
| Conference “Mediabusiness: Territory Digital” | 2 October | Moscow | In terms of the conference, such topics as the modern situation within the national media market, its potential and development forecasts will be discussed. | vedomosti.ru |
| VII Open “Kunaki” Festival of Cinema and Author’ Programs | 15 – 20 October | Cherkessk | The Festival is unique for the South of Russia, providing not only regional producers of documentary films and television programs but also directors and authors from many other regions of Russia and neighboring countries, with a platform for communication and creativity competition. | miradox.ru |
| SatComRus 2013 | 16 – 17 October | Moscow | The event is divided into 3 blocks, which are: <ul style="list-style-type: none"> • Global block (devoted to industry-wide tendencies all over the world); • Regional block (devoted to the business in the Russian branch of the satellite communication); • Technological block (devoted to promotion of new technologies to the world-wide market). | satcomrus.net |
| Children Television Festival | 5 – 7 November | Ivanovo | The Children Television Festival is arranged with participation of creative teams of children and professional children TV communities, pupils, who actively perform in terms of the terrestrial broadcasting. | probumerang.tv |
| National Award in the Sphere of Satellite, Cable and Internet Television “Golden Ray” | 7 November | Moscow | The national award in the Sphere of Satellite, Cable and Internet Television “Golden Ray” was established by the National Association of Broadcasters supported by the European Award Hot Bird TV Awards. The first awarding ceremony took place October, 15 at the film studio “Mosfilm”. “Golden Ray” is an annual national award among non-terrestrial thematic TV channels broadcast on the territory of Russia in Russian language by means of satellite, cable and Internet operators. In 2012 over 70 cable, satellite and IT channels applied for the competition. All in all, 95 applications by 13 announced nominations were accepted, among which two new nominations were introduced: “Educational TV channel” and “Social Programs”. | golden-ray.tv |

| EVENT | DATE AS FOR 2013 | VENUE | DESCRIPTION | WEBSITE |
|--|-------------------------|---------------|--|------------------|
| Workshop “Management of TV channel work” | 18 –22 November | St.Petersburg | The course is devoted to the contemporary tendencies of the development of TV channels broadcasting in Russia, organization of human resources and processes. Also, a case-study to develop a business plan of a TV project is foreseen. The problem of the legal groundwork of the TV channel activity will be analyzed, separately. | cntiproggress.ru |
| “Moscow International TV Film Festival Profession – Journalist” | 18 – 25 November | Moscow | The Festival consists of two sections and contains both displays of documentary films, TV programs, reports and stories broadcast within 2011-2013 in terms of competition and information. | journfest.ru |
| All-Russia TV Contest “TEFI – Region” | 30 November, 3 December | Yekaterinburg | All-Russia TV contest “TEFI-Region” has taken place since 2005. The Award was established by the Fund of the Russian Television with the aim to encourage the most significant works and professionals of the Russian regional television. Regional broadcasters and producers broadcasting on the territory of the subjects of the Russian Federation take part in the competition. Satellite, cable TV channels and TV channels of Internet TV, broadcasting on the whole territory of Russia belong to the exception. In 2012 535 applications by 157 television companies from 76 cities and settlements of Russia tried to win the award. | tefi.ru |
| Open Documentary Film Festival “Artdocfest” | 30 November, 9 December | Moscow | The Open Documentary Film Festival “Artdocfest” has been organized in Moscow since 2007. Currently, it is the biggest Russian documentary film festival by the number of films, film displays and volume of business program. In order to take part in the contest, the applicant has to submit a Russian film, which has not been broadcast yet, directed in Russian language on the territory of the whole world. Within the non-competition program “SREDA” documentaries in Russian from all over the world are presented. Annually, approximately 20,000 viewers, guests and participants visit the festival. | artdocfest.ru |

| EVENT | DATE AS FOR 2013 | VENUE | DESCRIPTION | WEBSITE |
|----------------------------|----------------------------|--------|---|---------|
| National TV Contest "TEFI" | Did not take place in 2012 | Moscow | <p>"TEFI" (derived from "televizionniy efir) is a Russian TV award which was established in 1994 by the fund "Russian Academy of Motion Picture Arts and Sciences". The Academy was initiated by the leading Russian TV companies (ORT, VGTRK, NTV, TV-6, VID and others) as a "Russian fund of TV development" (RFRT). Originally, it involved 12 academics, headed by the journalist and TV moderator <i>Vladimir Posner</i>. In 2001 the fund changed its name. In 2007 NTV and TNT which belonged to Gazprom-Media Holding refused to participate in the contest. In 2008 TV channels <i>Russia, Kultura, Sport</i> and <i>Vesti</i> (All-Russia State Television and Radio Broadcasting Company) ignored the contest too. After that, Vladimir Posner left his position of chairman of the fund and his place got occupied by the former Minister of Culture of the Russian Federation <i>Mikhail Shvydkoy</i>. In 2013 VGTRK left the founding members of the Academy which was followed by fact that Channel One refused to present its programs for the contest. In terms of the meeting of the Board of Founders of the Fund "Russian Academy of Motion Picture Arts and Sciences", which took place April 23 2013, it was concluded that the national television contest "TEFI" would not take place in its traditional way. Also, it was decided to set up an operating team to elaborate a new schedule and new rules of conduct within the national TV contest "TEFI".</p> | tefi.ru |

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4. Annual statement of *OAO TNT-Teleset* [OJSC TNT Telenetwork] 2012
5. Income statement of *OAO TNT-Teleset* [OJSC TNT Telenetwork] 2012
6. Annual statement of *OAO Perviy Kanal* [OJSC Channel One Russia] 2012
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REGISTERS OF TV LICENCES AND TV CHANNELS

59. A register of broadcasting companies with TV or radio licence is available on the Roskomnadzor website: <http://rkn.gov.ru/mass-communications/reestr/teleradio/>
60. The MAVISE database on TV channels and on-demand audiovisual services edited by the European Audiovisual Observatory includes Russian federal and thematic channels, foreign channels available in Russia as well as Russian channels targeting other part of the world: <http://mavise.obs.coe.int>
61. The Lyngsat Address database provide an useful list of Russian channels allowing the identification of their position on satellites: <http://www.lyngsat-address.com/tv/Russia.html>



OBSERVATOIRE EUROPÉEN DE L'AUDIOVISUEL
EUROPEAN AUDIOVISUAL OBSERVATORY
EUROPÄISCHE AUDIOVISUELLE INFORMATIONSTELLE

Set up in December 1992, the European Audiovisual Observatory's mission is to gather and diffuse information on the audiovisual industry in Europe.

The Observatory is a European public service body comprised of 40 member states and the European Union, represented by the European Commission. It operates within the legal framework of the Council of Europe and works alongside a number of partner and professional organisations from within the industry and with a network of correspondents.

In addition to contributions to conferences, other major activities are the publication of a Yearbook, newsletters and reports, and the provision of information through the Observatory's Internet site (<http://www.obs.coe.int>).

The Observatory also makes available four free-access databases, including MAVISE, DATABASE ON TELEVISION AND AUDIOVISUAL SERVICES AND COMPANIES IN EUROPE (<http://mavise.obs.coe.int>).



RESEARCH

KVG Research belongs to the group of companies Key Vision Group and specializes in marketing analysis in regard to media. KVG Research focuses its research on TV market and its main players.

Own unique methodology enables to estimate general parameters of the TV industry as well as its certain segments. The data provided by KVG Research, was gained by means of own tools, such as multi-layer database TV RETE, TV PRODCO or TV PRETIUM, providing TV and production markets as for different levels of detail.