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

THE FILM INDUSTRY IN THE RUSSIAN FEDERATION

Contient une synthèse en français
Enthält eine Zusammenfassung auf Deutsch

A report for the
European Audiovisual Observatory

by Nevafilm

with contributions of
Movie Reseach (Univers-Consulting)
and
iKS-Consulting

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NEVAFILM RESEARCH

MRC
MOVIE RESEARCH COMPANY

iKS CONSULTING

December 2014

The Film Industry in the Russian Federation

Research by Nevafilm with contributions from Movie Research (Univers-Consulting) and iKS-Consulting for the European Audiovisual Observatory.

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Nevafilm

Nevafilm was founded in 1992 and has a wide range of experience in the film industry. The group has modern sound and dubbing studios in Moscow and St. Petersburg (***Nevafilm Studios***); is a Russian market leader in cinema design, film and digital cinema equipment supply and installation (***Nevafilm Cinemas***); became Russia's first digital cinema laboratory for digital mastering and comprehensive DCP creation (***Nevafilm Digital***); distributes alternative content for digital screens (***Nevafilm Emotion***); has undertaken independent monitoring of the Russian cinema market in the cinema exhibition domain since 2003; and is a regular partner of international research organizations providing data on the development of the Russian cinema market (***Nevafilm Research***).

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Univers-Consulting

Univers-Consulting was founded in Moscow in 2001**.** The company currently provides management consulting services, including for the film industry, film industry research (***the Movie Research Project***), and neuromarketing (***the Neurotrend Project***).

The company has conducted over 130 research projects as part of its Movie Research Project, including more than 15 studies across all sectors of the industry. Every year since 2008, Univers-Consulting has published a digest titled *KinoStatistics*, which systematizes annual information on the Russian film industry. For the past few years, Univers-Consulting has been conducting strategic analysis and offering forecasts on developments in the film industry. The company has been working to develop mechanisms and measures by which government policy can support the Russian film industry and provides information and analytical support to government agencies and major market players.

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iKS Consulting is an international consulting firm providing management consulting services, research, and market analysis for the telecommunications, information technology, and media sectors. With **iKS Consulting**, you get:

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The European Audiovisual Observatory

Set up in December 1992, the European Audiovisual Observatory's mission is to gather and distribute 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 organizations 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, the compilation and management of databases and the provision of information through the Observatory's Internet site (http://www.obs.coe.int).

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EXECUTIVE SUMMARY

Legislative framework

Currently, the Russian Federation has an established legislative framework defining the basis of copyright law and regulating the filmmaking sector. Over time, this framework is constantly being improved and expanded, allowing Russian filmmakers to meet new challenges.

The fundamentals of copyright law are defined in Part IV of the Russian Federation Civil Code, which came into force on 1 January 2008 and stipulates that in Russia, the authors of an audiovisual work are the screenwriter, the director, and the composer of music created specifically for the film.

Interaction between the state and the film industry is regulated by special law No. 126-FZ 'On State Support for Cinema in the Russian Federation', dated 22 August 1996, whose cornerstone provision is the definition of a 'national film'. Only films that meet the criteria listed are eligible to receive state support for production, distribution, and exhibition (in the amount of up to 70% of the estimated cost). Producers of national films may also be exempt from VAT (18%) over the film's entire lifecycle, from production to distribution and other forms of sale.

Similar benefits are provided to businesses involved in public exhibition: cinemas in Russia do not pay VAT on revenue from ticket sales. Furthermore, for the purposes of facilitating the transition to digital technologies, since 2011, Russian cinemas have enjoyed zero percent customs duty on the import of digital film projectors.

When audiovisual works are exhibited or in any way distributed (in cinemas, on television, on discs, or via video on demand services), viewers are to be notified of the age category for which that work is intended. Labelling requirements for all information products in Russia were introduced by Federal Law No. 436-FZ 'On Protecting Children from Information Harmful to Their Health and Development', dated 22 December 2010.

The recently adopted 'anti-piracy law', Federal Law 187-FZ dated 2 July 2013, is also of great importance for the industry. It added to the Law 'On Information' and to Part IV of the Civil Code provisions regarding the liability of information intermediaries for distributing unlicensed products online and set out rules for blocking websites by decision of the Moscow Municipal Court in the event that such products are found on their pages and the site owner refuses to remove them. As initially drafted, these rules relate solely to audiovisual products, but from 1 May 2015, they will extend to all types of works protected by copyright and associated rights, with the exception of photography. The State Duma is also debating amendments that would make it possible to permanently block websites against which the same rights holder files a lawsuit more than once and wins. In such cases, there are also provisions for out-of-court settlements, if the site owner responds within 24 hours to a demand from the rights holder and deletes the unlicensed content from his webpages.

State support of filmmaking

The federal executive agency responsible for filmmaking in Russia is the Ministry of Culture, which has a department dedicated to the film industry. It serves as the industry regulator (issuing national film certificates and the distribution certificates required to release films in cinemas and on video). It also provides financial support for production, distribution, and marketing. Since 2010, the Ministry of Culture has shared these support duties with the Federal Fund for Social and Economic Support to National Cinematography (the Cinema Fund).

From 2013, the respective responsibilities of the Ministry of Culture and the Cinema Fund for providing state support for film production were more clearly delineated. The former is responsible for subsidizing debut, experimental, children's, and documentary films, while the latter finances commercial feature films and animated films made by independent producers and the so-called leaders of the Russian film industry. Those leaders are selected every year according to strict criteria, including audience assessments of each company's films, their artistic value, and a company's overall track record.

The system for selecting projects seeking state support was also modified in 2013. Over the past two years, it has been based on public pitching sessions, for independent films as well as projects by the designated leaders of the national film industry.

The rules governing state support for documentaries were made more rigorous. In an attempt to increase quality and audience appeal, it was proposed that, as a prerequisite for receiving state support, the producers should be required to secure a pre-sale agreement for the film with a television channel whose coverage spans at least half of the regions of the Russian Federation. Later, however, only a requirement that the film be publicly shown on television (on either a terrestrial or satellite channel), in cinemas or clubs, online, or even just at film festivals, remained in the government resolution.

Overall, the 2013 reforms met with a favourable response from the film community. The procedure for distributing state funding for film production now seems systematic and logical. But there have also been negative repercussions: the Cinema Fund's International Department was eliminated, which undermined the German–Russian Co-Development Fund and two joint film academies, with France and Italy, which were established in 2011–2012. No legal successor on the Russian side has been announced.

Financing of film production and distribution through repayable Cinema Fund loans is the most important innovation of the past two years. In 2012, the first rules were approved for calculating the shares of revenue from films made with state support which were to be repaid by Russian film industry leaders. These ranged from 5% to 50% of receipts. But since 2013, those rules have become stricter, the budget acquiring a line on "financing on the basis of fully repayable loans". In 2013, 63% of the Fund's budget went to grants, and only 12% to fully repayable loans.

In 2014, those portions were 39% and 40%, respectively. That motivates Russian producers to create products for which there is more demand on the market and recoup their costs.

Film Production

Russian filmmaking, bolstered by reasonably stable state support, is developing rapidly. In 2012–2013, around 700 films were being made each year, of which 400 were documentaries, over 100 were animated pictures, and over 200 were full-length feature films, including those intended for cinema distribution (around 90 per year) and those intended for television broadcast, the video market, and online streaming.

The system now in place for providing state financing for film production has allowed production budgets to grow without an increase in government money allocated to support the film industry and has led to an increase in the number of successful films. The total budget for Russian feature films released in 2012 was RUB 8.3 billion, and RUB 10.8 billion in 2013. Meanwhile, the funding from the federal budget was RUB 2.3 billion and RUB 2 billion, respectively. While in 2010, there were 11 films with box office receipts exceeding their production budgets, in 2011 there were 15, and in 2012–2013 there were 20. Leading filmmakers who receive state support consistently bring in over 80% of box office receipts for Russian films distributed domestically. The number of films made is growing steadily, including films released without government support. Over the past few years, such companies as Bazelevs, CTB, Melnitsa Animation Studio, and Enjoy Movies have been among those grossing the highest at the box office. All of these companies are recognized as industry leaders and receive Cinema Fund support. However, the new terms for state support in the form of repayable loans may prove challenging even for them, because most Russian films do not recoup their costs at the box office.

The film production sphere also remains problematic. The closure of the Cinema Fund's International Department curtailed the growth in the number of co-productions made with foreign partners which had begun in 2012. Six such films came out in 2012, and only two in 2013.

Technical framework for film production

Russia's film production infrastructure is concentrated in Moscow and, to a lesser extent, in St. Petersburg.

As of mid-2014, there were over 20 actively operating film studios in the country, housing around 110 sound stages. The biggest are Mosfilm and Cinelab (in partnership with My Studio), which offer a full range of film production services for both the shooting and post-production phases. The majority of state-run film studios (with the exception of Mosfilm) have obsolete equipment. They are in need of modernization and an updated approach to business processes. Most of them do not provide services to outside organizations. In 2012 and 2013, steps were taken to modernize two of the oldest studios – Gorky Film Studio and Lenfilm – but they are yet to be transformed into modern film factories.

Meanwhile, the private sector is growing. Moscow's biggest studio, Amedia, boasts 16 sound stages and has recently been joined by another privately-owned giant, Glavkino, which has 10. In this competitive environment, Russian World Studios shut down its production base in Moscow in 2012 and focused on its operations at its St. Petersburg film studio, though abandoning plans to expand it. Notably, most studios with sound stages today are booked primarily by television projects, rather than cinema projects.

In addition to studios, a large number of film service companies operate on the market. The biggest (in terms of the range of services provided) is 29 February, which offers all types of shooting and post-production services, except film processing and film printing. Overall, with the transition to digital distribution nearly complete, film processing laboratories are being ousted by digital mastering and editing studios (there are already 14 such studios in Russia).

Cinema Exhibition

By 2014, 93% of Russian cinemas (1,010 out of 1,087) had digital screens, and of 3,466 commercial cinema screens, 2,974 were digital. As of the beginning of 2014, 75% of cinemas had a digital projector for every screen, and only 7% of cinemas had no digital screens. All films in 2014 were released in either digital or hybrid format. Only 9% of releases were also printed on celluloid. In 2014, the mass transition to new technologies will be completed. Russian exhibitors have managed the switch without large-scale assistance from VPF-type[1] schemes (only the biggest cinema chains were able to conclude such agreements, without publicizing the deals).

The expansion of film exhibition infrastructure in Russia is now moving in two directions: the transition to digital at community centres in small towns (with support from regional and municipal governments) and the opening of chain outlets in retail and entertainment centres. Small cities (with populations under 100,000) will continue to hold the most potential for the expansion of Russian cinema chains: over 70% of the population in such cities currently has no access to film exhibition services. Meanwhile, in many big cities, competition is quite intense (screen density in cities with populations over one million has reached 4.8 per 100,000 residents).

On the competitive exhibition market, while average admissions and box office receipts are declining, companies are trying to attract the attention of audiences by offering new concepts. For instance, in 2012–2014, IMAX, 4DX, D-Box, Auro and Atmos technologies started to spread across Russia, as well as chains offering luxury viewing experiences. That kind of segmentation will increase in coming years, helping cinemas and chains to stand out against their competitors.

[1] Virtual Print Fee (VPF)

There are over 553 players on the Russian film exhibition market, with chains making up only 17% of them (although they manage 73% of screens). The biggest cinema chains are Cinema Park, Formula Kino, and Karo Film. They have all recently gone through mergers, acquisitions, or changes in ownership. In 2011, Cinema Park acquired the KinoStar chain; in 2012, Formula Kino and Kronverk Cinema joined forces, while Karo Film was purchased from the Karo Group (a film production and distribution group) by the Baring Vostok and UFG Asset Management investment funds; in November 2014, the sale of Cinema Park was announced.

Distribution

The digital revolution in filmmaking around the world has allowed films to be screened at lower cost and has helped to increase the number of independent players on the Russian market experimenting with both wide and limited releases. But by 2014, digital distribution's ability to expand the Russian film business and increase distribution had been exhausted. In 2013, there were 490 films in Russian distribution, and in the first half of 2014, there were 220. Evidently, the time for experimenting has come to an end, and for certain of the oldest and strongest independent distributors, it has ended unsuccessfully. Cinema Without Frontiers and Carmen both left the market. The number of companies releasing alternative content programmes on the big screen is also shrinking. In 2014, only specialized companies were active in this segment. At the same time, the distinguishing feature of this type of distribution has become clearer: such projects have very long screen lives.

Digital technologies have also propelled the development of regional filmmaking, based on private investment and support from regional government budgets. The films being made, often in languages spoken locally in a particular region of Russia, are shown in regional cinemas and able to make a return on investment. The Sakha Republic (Yakutia) and Buryatia have the most highly developed local film industries, which attracted 132,000 cinemagoers to locally made films in those two republics and grossed RUB 27 million at the box office in 2013. Local films are being shown in more regions and enjoying more popularity among cinemagoers, motivating producers to consider exporting their films outside their republics of origin and even outside Russia. In the near future, we can expect that producers from Siberia and the Far East will move into culturally similar Asian markets, the bulk of such exports being commercial films.

Russian animation is also achieving greater export potential. One example was *The Snow Queen*, which was the most successful Russian film in EU distribution from 2011 to 2013. Nevertheless, Russia's main export to Europe remains art-house projects, which attract several times more viewers abroad than they do at home. The former Soviet countries and France continue to be the most important European markets for Russian releases.

The Russian domestic film distribution market stalled in 2011−2012: the number of tickets sold fell by 2% in 2011, with zero growth in 2012.

Growth then resumed, with 176 million admissions in 2013 (up 10% on 2012), and 91 million in the first half of 2014 (up 6% on the first half of 2013). To date, box office receipts have risen 10% every year, reaching RUB 42.3 billion in 2013 and RUB 23 billion in the first half of 2014. However, currency fluctuations (as can already be seen this year) will most likely result in a stagnation or even reduction in box office receipts, assessed in US dollars. There is also a danger that the growth of demand for films will halt. Cinema chains are expanding more slowly; the digital transition which spurred film distribution in recent years is almost complete; and the approaching demographic gap, with a shrinking of the 18–25 age group (who visit cinemas most frequently), is starting to have an effect on distribution.

Home video

Sales statistics for the Russian home video market have not been kept since *Videomagazine* shut down in 2011, but experts say that fewer films are being released on physical media. In 2010–2012, category A films on Blu-ray (BD) had average production runs of 5,000–10,000, but in 2014, that volume fell to 2,000–3,000. DVD production volumes were similarly reduced for the same category of release, from an average of 100,000 copies to between 30,000 and 40,000. The chief reason for the collapse of the market is a decrease in the number of sales outlets for discs in Russia. Several specialized sellers have either left the market or closed down stores, and big electronics chains are removing shelves holding DVDs and BDs, as are the hypermarkets that facilitated the rapid growth in disc sales in 2006–2007.

The number of titles released on DVD is not decreasing as quickly. Around 2,000 are released in Russia each year. The recently introduced Blu-ray format has failed to achieve its predecessor's level of popularity because it was the first to suffer from the decrease in mass disc sales by chain stores: the list of Blu-ray releases was cut by a third in 2014, from 300 to 200 titles.

The Russian licensed market for home video clearly gravitates towards feature films, but a different breakdown can be seen across DVDs and BDs. DVDs focus more on children's programming and animation, while BDs offer more blockbuster, high-budget fare, including TV series and documentary films. In the DVD segment, the balance between new releases (films made within the past two years) and films from the existing catalogue has been fairly even. On the other hand, since 2012, the Blu-ray market has showed a trend towards releasing fewer archive titles. In 2014, their share of releases decreased to 26%.

Every year, Russian producers account for a bigger slice of the home video market by the number of titles released, while films from other European countries are slipping down the ranks. This is due to video distributors, mostly those releasing independent and art-house films, leaving the market. The majors' representation on the video market poses yet another problem. Russian distributors' contracts with Hollywood studios are expiring, and the new ones are being signed for shorter terms.

There are currently around 20 video distributors in Russia, the biggest of which are VideoService, Noviy Disk, Lizard Cinema Trade, and CP Distribution. In the coming years, the entire market may shrink to 3–5 publishers, who will most likely concentrate on putting out new releases and expensive collectors' editions from famous film franchises.

Video on demand

Meanwhile, video on demand (VoD) is coming to replace home video released on physical media. VoD is growing very rapidly. In 2012, iKS Consulting estimated that video on demand sales in Russia totalled RUB 1.13 billion. In 2013, that figure grew to RUB 2.79 billion, and then to RUB 2.32 billion in just the first half of 2014.

Several factors have contributed to this trend. Smart TV is gaining better market penetration: in 2013, Russia had around 4.2 million televisions connected to the Internet. The legislative framework has been reinforced, with the sector seeing positive results from the 'anti-piracy law'. Providers are expanding their libraries of HD and 3D content. Customer loyalty is setting in, and people are getting used to using VoD services, and are therefore more willing to pay for content, especially in the form of subscriptions.

In 2013, online film streaming services claimed the largest share of the video on demand market (58%), followed by VoD operators and content stores (26% and 16%, respectively).

Therefore, online streaming services are the biggest players – five companies each hold more than 5% of the market (ivi.ru, Play (or Okko), Tvigle, Videomore, and Zoomby). IPTV operator Rostelecom and the Tricolor satellite service are likewise among the heavyweights. The iTunes Store also occupies a strong position in Russia. As of the first half of 2014, just one year after entering the Russian market, it earns 13% of video on demand revenues. Google Play, which appeared in Russia at around the same time, occupies only 3% of the market.

Television distribution

Another arena for film sales in Russia is television distribution, which has become a bigger and bigger concern for Russian producers and distributors in recent years, as it was one reason behind the closure of the biggest independent distributors (Cinema Without Frontiers and Carmen). The problem is that selling rights to show films on television has long been an important source of income for rights holders. But the financial situation of the biggest channels is rapidly deteriorating, due to shrinking audiences. The 2008–2009 financial crisis also led to reduced advertising revenue. As a result, television channels are buying far less cinematic content. According to TNS Russia, Channel One cut its film programming by 2.3 percentage points between 2010 and 2013, Rossiya 1 cut film content by 3.8 points, and NTV by 14. And although most channels from the second group of ten in the rankings for the period examined increased the share of films in the programming broadcast over their networks, their earnings – and consequently the prices they offer for films – are unable to make up for losses rights holders are experiencing due to reduced purchasing by the leading channels, who not only make money on advertising, but also receive state subsidies.

The most feature film programming is seen on public channels like Zvezda (films made up over 47% of its programming in 2013), TV 3 (42%), and TV Centre (30%). But the potential audience figures for films broadcast on those channels are far from the highest, much like the ratings of the channels themselves.

The delay of the deadline for transitioning to digital broadcasting from 2015 to 2019 may further reduce the volumes of expensive content purchased by the leading television channels comprising the first multiplex, given that the terms for subsidizing their broadcast of digital and analogue signals have also changed. Members of the second multiplex, on the contrary, will save money thanks to the delay. They will not have to pay for broadcasting in both analogue and digital formats until 2018, because for now, they can broadcast only in analogue.

At the same time, non-terrestrial specialized channels in Russia are quickly gaining popularity, increasing their audiences, both potential (those subscribed to pay TV networks) and actual (those watching specific channels at least once per month), and expanding their range of offerings. Consequently, up until now, the non-terrestrial channels' monetizing potential has been expanding, enabling them to use more sources of financing to purchase content. But the adoption of Federal Law No. 270-FZ, dated 21 July 2014, which bans advertising by channels that offer only paid access, means that situation will change from 1 January 2015. It is highly likely that the prices offered by non-terrestrial channels for content will fall even farther in the light of their reduced means, though purchase volumes will not decline, because the advertising ban will force channels to increase subscription fees for their services, which means they will need to motivate viewers with higher quality offerings.

Yet another law that will have an impact on purchasing for television is the law limiting the share of foreign capital in media outlets (No. 305-FZ, dated 14 October 2014). This will affect CTC Media and the Disney Channel, which have significant shares of foreign capital and will be forced to reduce them to the prescribed 20%.

Conclusions

Since we published our last report in 2012, the Russian film industry has undergone several important changes.

The rules by which state support is granted to film production changed yet again, in a way that was largely welcomed by the industry due to the greater transparency of the principles for selecting projects. The system created in 2010 for offering financial support to leading studios has helped to strengthen the film production sector and increase the number of Russian films being made, without any significant increase in state support: producers with the official status of recognized leader have found it easier to attract additional investment. At the same time, the new rules for government loans issued for film production and distribution will be a challenge for Russian producers.

One negative result of the reforms has been Russia's refusal to honour its obligations under recently created joint funds and film academies with France, Germany, and Italy, as well as a general reduction in attention to co-productions on the part of the state and, consequently, a decrease in such productions.

By 2014, the transition to digital distribution and exhibition technologies was almost complete. That process triggered a wave of experimentation with schedules: larger numbers of films, with greater print volumes, have started to be released on the big screen, even including some films from the 1990s, never before shown in Russian cinemas but which became legends during the video salon era. But the period of experimentation came to an end when it became clear that an increased number of films does not lead to increased admissions. Some distributors were forced to close up shop, for reasons including problems with the television market, where prices and purchases fell, and also on the home video market, where demand for physical media is plummeting fast. Cinemas that have failed to equip themselves for digital projection are going out of business due to the lack of celluloid copies in distribution.

Finally, Russian anti-piracy laws have been strengthened in the audiovisual sector, which has had the biggest impact on the video on demand segment. Audiences are turning more frequently to VoD services, which are replacing traditional home video: DVDs are being superseded by subscriptions to online services, and Blu-ray discs are being upstaged by HD versions of films available in content stores.

Overall, most of the changes on the market have been predictable in nature, following the path of global trends. The only unusual feature is the system for state support of film production, focused on the leading companies and on producing commercially successful Russian films. The overall inward focus of government policy in this country is well reflected in its treatment of film production, and also in the support for quotas for domestic film production, an idea that never leaves the agenda.

SYNTHÈSE DE L'ÉTUDE

Cadre législatif

La Fédération de Russie dispose d'un cadre législatif qui définit la base de la législation sur le droit d'auteur et réglemente le secteur cinématographique. Au fil du temps, ce cadre est régulièrement amélioré et élargi afin de permettre aux cinéastes russes de relever les nouveaux défis auxquels ils sont confrontés.

Les principes fondamentaux de la législation sur le droit d'auteur sont définis dans la Partie IV du Code civil de la Fédération de Russie, entré en vigueur le 1er janvier 2008, qui prévoit qu'en Russie, les auteurs d'une œuvre audiovisuelle sont le scénariste, le réalisateur et le compositeur de la musique créée spécialement pour le film en question.

Les relations entre l'État et l'industrie cinématographique sont régies par la loi spéciale n° 126-FZ du 22 août 1996 relative aux aides d'État en faveur du cinéma dans la Fédération de Russie et dont la principale disposition est la définition d'un « film national ». Seuls les films qui répondent aux critères énumérés peuvent bénéficier des aides de l'État à la production, à la distribution et à l'exploitation (pouvant atteindre 70 % du coût estimé). Les producteurs de films nationaux peuvent également être exonérés de TVA (18 %) sur l'ensemble du cycle de vie du film, de la production à la distribution et à d'autres formes de vente.

Des avantages similaires sont prévus pour les sociétés impliquées dans l'exploitation des films : en Russie, les cinémas sont exemptés de la TVA sur les recettes générées par les ventes de billets. En outre, afin de faciliter la transition vers le numérique, depuis 2011, les cinémas russes ne sont pas soumis aux droits de douane lorsqu'ils importent des projecteurs numériques.

Lorsque des œuvres cinématographiques ou audiovisuelles sont exploitées ou d'une quelconque façon distribuées (en salles, à la télévision, sur disque ou par l'intermédiaire de services de vidéo à la demande), les téléspectateurs doivent être informés de la catégorie d'âge à laquelle l'œuvre en question est destinée. Des exigences de classification applicables à tous les produits d'information en Russie ont été introduites par la loi fédérale n° 436-FZ du 22 décembre 2010 relative à la protection des enfants contre les informations préjudiciables à leur santé et à leur développement.

La loi fédérale 187-FZ du 2 juillet 2013, dite « loi anti-piratage », revêt également une grande importance pour l'industrie. Elle ajoute à la loi relative à l'information et à la Partie IV du Code civil des dispositions relatives à la responsabilité des intermédiaires de l'information eu égard à la distribution en ligne de produits dépourvus de licence et établit des règles permettant au Tribunal municipal de Moscou de bloquer un site web lorsque de tels produits figurent sur ses pages et que le propriétaire du site en question refuse de les supprimer. Dans leur formulation initiale, ces règles concernent uniquement les produits audiovisuels, mais à partir du 1er mai 2015, elles s'étendront également à tous les types d'œuvres protégées par le droit d'auteur et les droits connexes, à l'exception de la photographie. La Douma débat également d'amendements qui permettraient de bloquer de façon permanente les sites web contre lesquels le même ayant droit a engagé, à plusieurs reprises, des poursuites et a eu gain de cause. Dans de tels cas, des transactions extrajudiciaires sont également possibles si le propriétaire du site répond dans les 24 heures à une demande de l'ayant droit et supprime le contenu dépourvu de licence de ses pages web.

Aides d'État au cinéma

L'agence exécutive fédérale chargée du cinéma en Russie est le ministère de la Culture, qui dispose d'un service dédié à l'industrie cinématographique. Il joue le rôle de régulateur de l'industrie (délivrant les certificats de films nationaux et les certificats de distribution requis pour sortir les films en salles et en vidéo). Il accorde également une aide financière à la production, à la distribution et à la commercialisation. Depuis 2010, le ministère de la Culture partage ce rôle d'aide au financement avec le Fonds fédéral de soutien social et économique à la cinématographie nationale (le Fonds pour le cinéma).

Depuis 2013, les responsabilités respectives du ministère de la Culture et du Fonds pour le cinéma eu égard aux aides accordées par l'État à la production cinématographique sont plus clairement définies. Le premier est chargé de subventionner les premiers films ainsi que les films expérimentaux, pour enfants et documentaires, tandis que le second finance les longs métrages commerciaux et les films d'animation réalisés par des producteurs indépendants et les sociétés dites chefs de file de l'industrie cinématographique russe. Ces chefs de file sont sélectionnés chaque année selon des critères stricts, notamment l'évaluation du succès des films de chaque société, leur valeur artistique et les antécédents globaux de la société.

Le système de sélection des projets qui demandent le soutien de l'État a également été modifié en 2013. Depuis les deux dernières années, il repose sur des sessions publiques de *pitching*, aussi bien pour les films indépendants que pour les projets des chefs de file désignés de l'industrie cinématographique nationale.

Les règles régissant les aides accordées par l'État aux documentaires ont été renforcées. Dans une tentative visant à améliorer la qualité et l'attrait pour le public, il a été proposé que, comme condition préalable à l'octroi d'aides de l'État, les producteurs soient tenus de conclure un accord de pré-vente pour le film en question avec une chaîne de télévision dont la couverture s'étend sur au moins la moitié des régions de la Fédération de Russie. Toutefois, par la suite, seule l'exigence selon laquelle le film doit être diffusé publiquement à la télévision (sur une chaîne hertzienne ou par satellite), dans les cinémas ou les clubs, en ligne, ou même simplement lors de festivals du film, est restée dans la résolution adoptée par le gouvernement.

Dans l'ensemble, les réformes de 2013 ont rencontré un écho favorable auprès de la communauté cinématographique. La procédure de distribution des aides accordées par l'État à la production cinématographique apparaît désormais systématique et logique. Mais elles ont également eu des répercussions négatives : le service International du Fonds pour le cinéma a été supprimé, ce qui a sapé le Fonds de co-développement germano-russe ainsi que deux écoles de cinéma qui avaient été créées en 2011-2012 avec la France et l'Italie. Aucun successeur légal n'a été annoncé du côté russe.

Le financement de la production et de la distribution des films au moyen de prêts remboursables octroyés par le Fonds pour le cinéma est l'innovation la plus importante de ces deux dernières années. Les premières règles de calcul des parts des recettes des films réalisés avec le soutien de l'État qui devaient être remboursées par les chefs de file de l'industrie cinématographique russe ont été approuvées en 2012. Ces parts représentaient de 5 à 50 % des recettes. Mais ces règles sont devenues plus strictes en 2013, le budget acquérant une ligne dédiée au « financement sur la base de prêts intégralement remboursables ». En 2013, 63 % du budget du Fonds est allé à des subventions, et seulement 12 % à des prêts entièrement remboursables. En 2014, ces proportions sont respectivement de 39 et 40 %. Les producteurs russes sont ainsi poussés à créer des produits pour lesquels il existe une plus forte demande sur le marché et à récupérer leurs investissements.

Production cinématographique

Le cinéma russe, soutenu par les aides relativement stables de l'État, se développe rapidement. En 2012-2013, environ 700 films ont été réalisés par an, dont 400 documentaires, plus de 100 films d'animation et plus de 200 longs métrages, y compris ceux destinés à la distribution en salles (environ 90 par an) et ceux destinés à la télédiffusion, au marché de la vidéo et à la diffusion en flux continu sur internet.

Le système désormais en place en matière de financement accordé par l'État à la production cinématographique a permis aux budgets de production de se développer sans augmenter les sommes allouées par l'État pour soutenir l'industrie cinématographique et a conduit à une augmentation du nombre de films à succès. Le budget total des longs métrages russes sortis en salles était de 8,3 milliards RUB en 2012 et de 10,8 milliards RUB en 2013. Dans le même temps, le financement provenant du budget fédéral s'élevait respectivement à 2,3 et à 2 milliards RUB. En 2010, 11 films ont vu leurs recettes au guichet dépasser leurs budgets de production. Ce nombre est passé à 15 en 2011 et à 20 en 2012-2013. Les principaux cinéastes, qui reçoivent de façon constante des aides de l'État, représentent généralement plus de 80 % des recettes au guichet pour les films russes distribués nationalement. Le nombre de films réalisés ne cesse d'augmenter, y compris ceux qui ne bénéficient pas d'aides du gouvernement. Ces dernières années, Bazelevs, CTB, Melnitsa Animation Studio et Enjoy Movies figurent parmi les sociétés ayant réalisé les plus grosses recettes au guichet. Toutes ces sociétés sont reconnues comme des chefs de file de l'industrie et reçoivent l'aide du Fonds pour le cinéma. Toutefois, les nouvelles modalités d'octroi des aides d'État, qui prennent désormais la forme de prêts remboursables, peuvent constituer un défi même pour elles dans la mesure où les recettes au guichet de la plupart des films russes ne leur permettent pas de rentrer dans leurs frais.

La sphère de la production cinématographique demeure également problématique. La fermeture du service International du Fonds pour le cinéma a fortement réduit le nombre de coproductions réalisées avec des partenaires étrangers, lequel progressait depuis 2012. Six coproductions sont sorties en 2012, contre seulement deux en 2013.

Cadre technique de la production cinématographique

L'infrastructure de la production cinématographique russe est concentrée à Moscou et, dans une moindre mesure, à Saint-Pétersbourg.

A la mi-2014, le pays compte plus de 20 studios de cinéma actifs pour environ 110 plateaux de tournage insonorisés. Les plus importants sont Mosfilm et Cinelab (en partenariat avec My Studio) ; ils offrent une gamme complète de services de production cinématographique pour les phases de prise de vue et de post-production. La majorité des studios de cinéma gérés par l'État (à l'exception de Mosfilm) ont des équipements obsolètes. Ils doivent être modernisés et actualiser leur approche des processus opérationnels. La plupart d'entre eux ne proposent pas de services aux organismes externes. En 2012 et 2013, des mesures ont été prises pour moderniser deux des plus anciens studios – Gorki Film Studio et Lenfilm – mais ils n'ont pas encore été transformés en usines cinématographiques modernes.

Pendant ce temps, le secteur privé se développe. Le plus grand studio de Moscou, Amedia, dispose de 16 plateaux de tournage insonorisés et a récemment été rejoint par un autre géant privé, Glavkino, qui en compte 10. Dans cet environnement concurrentiel, Russian World Studios a fermé sa base de production à Moscou en 2012 et concentré ses activités dans son studio de cinéma de Saint-Pétersbourg, tout en renonçant à ses projets pour le développer. Il est intéressant de noter que la plupart des studios disposant de plateaux de tournage insonorisés sont principalement réservés par des projets pour la télévision, plutôt que par des projets destinés au cinéma.

En plus des studios, un grand nombre de sociétés de services cinématographiques est actif sur le marché. La plus importante (du point de vue de l'éventail des services offerts) est 29 February ; elle propose tous les types de services de prise de vue et de post-production, à l'exception du traitement et du tirage des films. De façon générale, la transition à la distribution numérique étant presque terminée, les laboratoires de traitement des films sont évincés par les studios de mastering et de montage numérique (la Russie compte déjà 14 de ces studios).

Exploitation en salles

En 2014, 93 % des cinémas russes (1 010 sur 1 087) disposent d'écrans numériques, et sur 3 466 salles de cinéma commerciales, 2 974 sont numériques. Début 2014, 75 % des cinémas disposent d'un projecteur numérique pour chaque écran, et seuls 7 % des cinémas n'ont aucune salle numérique. Tous les films sortis en 2014 ont été distribués au format numérique ou hybride, à peine 9 % d'entre eux étant également distribués en copies argentiques. En 2014, la transition de masse vers les nouvelles technologies se termine. Les exploitants russes ont réussi à effectuer ce passage sans bénéficier de l'aide à grande échelle des régimes de type VPF[2] (seules les plus grandes chaînes de cinéma ont pu conclure de tels accords, dont les modalités ne sont pas rendues publiques).

L'expansion de l'infrastructure des salles de cinéma en Russie suit désormais deux directions : la transition vers le numérique dans les centres communautaires des petites villes (avec l'aide des gouvernements régionaux et municipaux) et l'ouverture de chaînes dans les centres commerciaux et centres de loisirs. Les petites villes (comptant moins de 100 000 habitants) présentent toujours le plus grand potentiel en matière d'expansion des chaînes de cinéma russes : plus de 70 % de la population dans ces villes n'a actuellement pas accès aux salles de cinéma. Parallèlement, dans de nombreuses grandes villes, la concurrence est très intense (la densité d'écrans dans les villes de plus d'un million d'habitants atteint 4,8 pour 100 000 habitants).

Sur le marché concurrentiel de l'exploitation, alors que la fréquentation moyenne et les recettes au guichet reculent, les sociétés cherchent à attirer l'attention du public en proposant de nouveaux concepts. Par exemple, en 2012-2014, les technologies IMAX, 4DX, D-Box, Auro et Atmos ont commencé à se répandre à travers la Russie, ainsi que les chaînes proposant des expériences de projection de luxe. Ce genre de segmentation augmentera dans les prochaines années, aidant les cinémas et les chaînes à se démarquer de leurs concurrents.

Le marché russe de l'exploitation compte plus de 553 acteurs, les chaînes n'en représentant que 17 % (mais gérant 73 % des écrans). Les plus grandes chaînes de cinéma sont Cinema Park, Formula Kino et Karo Film. Elles ont récemment connu des fusions, acquisitions et autres changements de propriétaire. En 2011, Cinema Park a acheté la chaîne KinoStar ; en 2012, Formula Kino et Kronverk Cinema ont uni leurs forces, alors que Karo Film était achetée au groupe Karo (groupe de production et de distribution de films) par les fonds d'investissement Baring Vostok et UFG Asset Management ; en novembre 2014, la vente de Cinema Park a été annoncée.

Distribution

La révolution numérique que connaît l'industrie cinématographique dans le monde entier a permis aux films d'être projetés à moindre coût et a contribué à augmenter le nombre d'acteurs indépendants sur le marché russe expérimentant des sorties aussi bien à grande échelle qu'à une échelle plus limitée. Mais en 2014, la capacité de la distribution numérique

[2] Virtual Print Fee (VPF)

à développer l'industrie cinématographique russe et à élargir la distribution est épuisée. La distribution russe comptait 490 films en 2013 et 220 films au premier semestre 2014. De toute évidence, le temps de l'expérimentation a pris fin, et pour certains des distributeurs indépendants les plus anciens et les plus solides, il s'achève sans succès. Cinema Without Frontiers et Carmen ont quitté le marché. Le nombre de sociétés sortant du contenu alternatif sur grand écran est également en baisse. En 2014, seules des sociétés spécialisées sont actives sur ce segment. Dans le même temps, la particularité de ce type de distribution s'est affirmée : ces projets ont une très longue durée de vie à l'écran.

Les technologies numériques ont également favorisé le développement de la cinématographie régionale, basée sur les investissements privés et les aides des gouvernements régionaux. Les films réalisés, souvent dans des langues parlées localement dans une région de Russie, sont projetés dans des cinémas régionaux et parviennent à récupérer les sommes investies. Les Républiques de Sakha (Iakoutie) et de Bouriatie disposent des industries cinématographiques locales les plus développées : en 2013, au total, 132 000 spectateurs ont vu les films réalisés localement dans ces deux républiques et les recettes au guichet ont atteint 27 millions RUB. Les films locaux sont présentés dans de plus en plus de régions et jouissent d'une popularité croissante parmi les cinéphiles, ce qui pousse les producteurs à envisager d'exporter leurs films hors de leurs républiques d'origine, voire hors de la Russie. Dans un proche avenir, nous pouvons nous attendre à ce que les producteurs de Sibérie et d'Extrême-Orient se déplacent sur les marchés asiatiques culturellement similaires, la majeure partie de ces exportations concernant des films commerciaux.

L'animation russe renforce également son potentiel d'exportation. Citons, par exemple, *The Snow Queen* qui est le film russe distribué dans l'UE à avoir connu le plus de succès de 2011 à 2013. Néanmoins, le principal produit d'exportation de la Russie vers l'Europe reste les projets art et essai qui attirent beaucoup plus de spectateurs à l'étranger que dans leur pays. Les anciens pays soviétiques et la France continuent d'être les marchés européens les plus importants pour les sorties russes.

Le marché russe de la distribution cinématographique nationale a stagné en 2011-2012 : le nombre de billets vendus a diminué de 2 % en 2011, et la croissance a été nulle en 2012. La croissance a ensuite repris, avec 176 millions d'entrées en 2013 (+10 % par rapport à 2012), et 91 millions au premier semestre 2014 (en hausse de 6 % par rapport au premier semestre 2013). Jusqu'à présent, les recettes au guichet ont augmenté de 10 % par an, pour atteindre 42,3 milliards RUB en 2013 et 23 milliards RUB au premier semestre 2014. Cependant, les fluctuations monétaires (comme on peut déjà le voir cette année) entraîneront très probablement une stagnation, voire une diminution, des recettes au guichet en dollars américains. La croissance de la demande en films risque également de s'arrêter : les chaînes de cinéma se développent plus lentement ; la transition numérique qui a stimulé la distribution cinématographique ces dernières années est presque terminée ; et le déficit démographique qui approche, avec un rétrécissement du groupe d’âge des 18-25 ans (celui qui va le plus au cinéma), commence à avoir un effet sur la distribution.

Vidéo

Les statistiques de ventes pour le marché russe de la vidéo ne sont plus gérées depuis l’arrêt de *Videomagazine* en 2011, mais les experts estiment que moins de films sortent sur support physique. En 2010-2012, les films de catégorie A sur Blu-ray (BD) étaient tirés en moyenne entre 5 000 et 10 000 exemplaires, mais ce volume est tombé à 2 000-3 000 exemplaires en 2014. Les volumes de production des DVD ont également diminué pour la même catégorie de sortie, d’une moyenne de 100 000 copies à une moyenne comprise entre 30 000 et 40 000 copies. La principale raison de l’effondrement du marché est la diminution du nombre de points de vente de disques en Russie. Plusieurs vendeurs spécialisés ont soit quitté le marché soit fermé des magasins, et les grandes chaînes d’électronique retirent les étagères consacrées aux DVD et BD, de même que les hypermarchés qui avaient favorisé la croissance rapide des ventes de disques en 2006-2007.

Le nombre de titres sortis sur DVD ne diminue pas aussi rapidement. Environ 2 000 titres sortent chaque année en Russie. Le format Blu-ray récemment introduit n’a pas réussi à atteindre le niveau de popularité de son prédécesseur car il a été le premier à souffrir de la baisse des ventes en masse de disques par les magasins de chaîne : la liste des sorties en Blu-ray a été réduite d’un tiers en 2014, passant de 300 à 200 titres.

Le marché russe sous licence de la vidéo s’oriente clairement vers les longs métrages, mais avec une répartition différente selon qu’il s’agit de DVD ou de BD. Les DVD se concentrent davantage sur l’animation et les programmes pour enfants, tandis que les BD comptent plus de superproductions, de films à gros budget, y compris les séries TV et les films documentaires. Sur le segment du DVD, la part des nouvelles sorties (films réalisés au cours des deux dernières années) et celle des films du catalogue existant est assez équilibrée. En revanche, depuis 2012, le marché du Blu-ray a montré une tendance à la sortie de moins de titres d’archive. En 2014, leur part des sorties a chuté à 26 %.

Chaque année, en nombre de titres sortis sur le marché de la vidéo à domicile, la part des producteurs russes progresse tandis que les films d’autres pays européens glissent vers le bas du classement. Cette situation est due au fait que les distributeurs de vidéo, principalement ceux sortant des films indépendants et des films art et essai, quittent le marché. La représentation des majors sur le marché de la vidéo pose encore un autre problème. Les contrats des distributeurs russes avec les studios d’Hollywood arrivent à échéance, et les nouveaux contrats sont signés pour des durées plus courtes. La Russie compte actuellement environ 20 distributeurs de vidéo, les principaux étant VideoService, Noviy Disk, Lizard Cinema Trade et CP Distribution. Dans les prochaines années, l’ensemble du marché pourrait se réduire à 3-5 éditeurs, qui se concentreront très probablement sur la publication de nouveaux films et de coûteuses éditions *collector* de célèbres franchises de films.

Vidéo à la demande

Dans le même temps, la vidéo à la demande (VoD) commence à remplacer la vidéo à domicile disponible sur support physique. La VoD se développe très rapidement. iKS Consulting estime que le volume des ventes pour la vidéo à la demande en Russie s'élevait à 1,13 milliard RUB en 2012. Ce chiffre est passé à 2,79 milliards RUB en 2013, et à 2,32 milliards RUB pour le seul premier semestre de 2014.

Cette progression est due à plusieurs facteurs. La Smart TV ou télévision connectée améliore sa pénétration du marché : en 2013, la Russie comptait environ 4,2 millions de téléviseurs connectés à internet. Le cadre législatif a été renforcé, le secteur estimant que la « loi anti-piratage » a des résultats positifs. Les fournisseurs élargissent leurs bibliothèques de contenu HD et 3D. La fidélité des clients s'installe, les gens s'habituent à utiliser les services de VoD et sont donc plus disposés à payer pour du contenu, en particulier sous la forme d'abonnements.

En 2013, les services de diffusion en flux continu de films revendiquaient la plus grande part du marché de la vidéo à la demande (58 %), suivis par les opérateurs de VoD et les magasins de contenu (respectivement, 26 % et 16 %).

Par conséquent, les services de diffusion en flux continu sont les acteurs principaux – cinq sociétés détenant chacune plus de 5 % du marché (ivi.ru, Play (ou Okko), Tvigle, Videomore et Zoomby). L'opérateur d'IPTV Rostelecom et le service par satellite Tricolor figurent également parmi les poids lourds. L'iTunes Store occupe aussi une position forte en Russie. Au premier semestre 2014, un an seulement après son entrée sur le marché russe, il représente 13 % des revenus de la vidéo à la demande. Google Play, apparu en Russie à peu près à la même époque, n'occupe que 3 % du marché.

Distribution télévisuelle

Un autre domaine lié à la vente de films en Russie est la distribution télévisuelle. Ces dernières années, elle est devenue un problème de plus en plus préoccupant pour les producteurs et les distributeurs russes ; elle est en effet l'une des raisons de la fermeture des principaux distributeurs indépendants (Cinema Without Frontiers et Carmen). Le problème est que la vente des droits de diffusion des films à la télévision est, depuis longtemps, une source importante de revenus pour les ayants droit. Mais, du fait du recul des audiences, la situation financière des grandes chaînes se détériore rapidement. La crise financière de 2008-2009 a également entraîné une diminution des recettes publicitaires. En conséquence, les chaînes de télévision achètent beaucoup moins de contenu cinématographique. Selon TNS Russia, entre 2010 et 2013, Channel One a réduit sa programmation de films de 2,3 points de pourcentage, Rossiya 1 de 3,8 points et NTV de 14 points. Et bien que la plupart des chaînes du second groupe de dix dans le classement pour la période examinée aient augmenté la part des films dans la programmation diffusée sur leurs réseaux, leurs recettes - et par conséquent les sommes qu'elles paient pour les films - sont incapables de compenser les pertes que les ayants droit subissent en raison de la réduction du nombre d'achats par les grandes chaînes, qui non seulement gagnent de l'argent par la publicité, mais aussi reçoivent des subventions de l'État.

La plus importante programmation de longs métrages se trouve sur les chaînes publiques comme Zvezda (les films représentaient plus de 47 % de sa programmation en 2013), TV 3 (42 %), et TV Centre (30 %). Mais les chiffres d'audience potentiels pour les films diffusés sur ces chaînes sont loin d'être les plus élevés, comme les audiences des chaînes elles-mêmes.

Le report de la date limite fixée pour le passage à la radiodiffusion numérique (de 2015 à 2019) est susceptible de réduire encore davantage les volumes de contenu onéreux acheté par les principales chaînes de télévision composant le premier multiplex, étant donné que les conditions liées à la subvention de la radiodiffusion simultanée de signaux numériques et analogiques ont également changé. Les membres du second multiplex, au contraire, feront des économies grâce à ce report : comme, pour l'instant, ils peuvent diffuser uniquement en analogique, ils ne devront payer pour la diffusion simultanée en analogique et en numérique qu'à partir de 2018.

Dans le même temps, les chaînes spécialisées non hertziennes russes gagnent rapidement en popularité, augmentent leurs audiences, à la fois potentielles (à savoir les personnes abonnées aux réseaux de télévision payante) et réelles (celles regardant une chaîne donnée au moins une fois par mois), et élargissent leur gamme d'offres. Par conséquent, jusqu'à présent, le potentiel de monétisation des chaînes non hertziennes s'est développé, leur permettant d'utiliser davantage de sources de financement pour acheter du contenu. Mais l'adoption de la loi fédérale n °270-FZ, du 21 juillet 2014, qui interdit la publicité sur les chaînes à accès exclusivement payant, signifie que la situation changera à partir du 1er janvier 2015. Il est très probable que les prix proposés pour du contenu par les chaînes non hertziennes diminueront encore davantage, compte tenu de leurs moyens limités et malgré la stabilité des volumes d'achat. En effet, l'interdiction de la publicité obligera les chaînes à augmenter le montant de l'abonnement à leurs services, ce qui signifie qu'elles devront attirer les spectateurs avec des offres de meilleure qualité.

Les achats de contenu pour la télévision seront également affectés par la loi limitant la part des capitaux étrangers dans les médias (n° 305-FZ, du 14 octobre 2014). Cette disposition affectera CTC Media et Disney Channel, dont la part de capitaux étrangers est importante et qui seront contraintes de la ramener au niveau prescrit de 20 %.

Conclusions

Depuis la publication de notre dernier rapport en 2012, l'industrie cinématographique russe a connu plusieurs changements importants.

Les règles réglementant l'octroi des aides de l'État à la production cinématographique ont été modifiées une fois de plus, d'une manière largement saluée par l'industrie en raison de la plus grande transparence des principes appliqués à la sélection des projets. Le système créé en 2010 pour octroyer un soutien financier aux grands studios a contribué à renforcer le secteur de la production cinématographique et à augmenter le nombre de films russes réalisés, sans augmentation significative des aides de l'État : les producteurs ayant le statut officiel de chef de file reconnu ont réussi plus facilement à attirer des investissements supplémentaires. Dans le même temps, les nouvelles règles réglementant les prêts d'État accordés à la production et à la distribution des films constitueront un défi pour les producteurs russes.

Un résultat négatif des réformes est le refus de la Russie d'honorer ses obligations eu égard au fonds et aux écoles de cinéma récemment créés conjointement avec la France, l'Allemagne et l'Italie, ainsi qu'une diminution générale de l'attention portée aux coproductions de la part de l'État et, par conséquent, le recul de leur nombre.

En 2014, la transition vers les technologies de distribution et d'exploitation numériques est presque achevée. Ce processus a déclenché une vague d'expérimentation avec les programmations : des films plus nombreux, tirés en un plus grand nombre de copies, ont commencé à sortir sur le grand écran, y compris certains films des années 1990, jamais projetés auparavant dans les cinémas russes, mais qui sont devenus des légendes à l'époque de la vidéo à domicile. Mais la période d'expérimentation a pris fin lorsqu'il est devenu évident que l'augmentation du nombre de films n'entraîne pas une augmentation du nombre d'entrées. Certains distributeurs ont été contraints de fermer boutique, pour des raisons incluant des problèmes avec le marché télévisuel, sur lequel les prix et le nombre d'achats ont chuté, et aussi sur le marché de la vidéo à domicile, sur lequel la demande de supports physiques est en chute libre. Les cinémas qui ne sont pas équipés en projecteurs numériques doivent fermer leurs portes car la distribution ne propose pratiquement plus de copies celluloïd.

Enfin, les lois anti-piratage russes ont été renforcées dans le secteur audiovisuel, ce qui a eu une très forte incidence sur le segment de la vidéo à la demande. Le public se tourne de plus en plus vers les services de VoD, qui remplacent la vidéo à domicile traditionnelle : les DVD sont supplantés par les abonnements aux services en ligne, et les disques Blu-ray sont éclipsés par les versions HD de films disponibles dans les magasins de contenu.

Dans l'ensemble, la plupart des changements survenus sur le marché étaient prévisibles car ils s'inscrivent dans la lignée des tendances mondiales. La seule particularité notable est le système d'aides de l'État à la production cinématographique, axé sur les grandes sociétés et sur la production de films russes à succès commercial. Le repli sur soi général de la politique du gouvernement se retrouve parfaitement dans son traitement de la production cinématographique, ainsi que dans le soutien aux quotas favorisant la production cinématographique nationale, une idée qui reste toujours d'actualité.

ZUSAMMENFASSUNG

Rechtsrahmen

Der Rechtsrahmen für den Filmsektor in der Russischen Föderation besteht aus mehreren Gesetzen, unter anderem einem Gesetz über das Urheberrecht und Gesetzen zur Regulierung des Filmsektors. Dieser Rahmen wurde in den vergangenen Jahren immer wieder verbessert und erweitert und ermöglicht es den russischen Filmemachern, sich neuen Herausforderungen zu stellen.

Die grundlegenden Prinzipien des Urheberrechts werden in Teil IV des Zivilgesetzbuchs der Russischen Föderation definiert, der am 1. Januar 2008 in Kraft trat. Teil IV des Zivilgesetzbuchs legt unter anderem fest, welche Personen in Russland als Urheber eines audiovisuellen Werkes gelten: Drehbuchautoren, Regisseure, Filmmusikkomponisten.

Die Beziehungen zwischen dem Staat und der Filmindustrie werden durch ein besonderes Gesetz geregelt, das Gesetz Nr. 126-FZ „Über die staatliche Unterstützung für das Kino in der Russischen Föderation" vom 22. August 1996, das vor allem definiert, was unter einem „nationalen Film" zu verstehen ist. Nur Filme, die den im Gesetz genannten Kriterien entsprechen, haben Anspruch auf staatliche Förderung für die Produktion, den Verleih und die Aufführung von Filmen (die staatliche Förderung kann bis zu 70 % der geschätzten Kosten betragen). Die Produzenten nationaler Filme können auch von der Mehrwertsteuer befreit werden (18 %), und zwar für die gesamte Dauer des Filmlebenszyklus, von der Produktion über den Verleih bis hin zu anderen Formen der Verwertung.

Ähnliche Privilegien gelten für die öffentliche Aufführung von Filmen: Kinos in Russland zahlen keine Mehrwertsteuer auf Einnahmen aus dem Kinokartenverkauf. Außerdem ist die Einfuhr digitaler Filmprojektoren seit 2011 von Zollgebühren befreit, um den Übergang zu digitalen Technologien zu beschleunigen.

Bei der Vorführung audiovisueller Werke oder beim Verleih (im Kino, im Fernsehen, auf DVD oder über Video-on-Demand-Dienste) müssen die Zuschauer darüber informiert werden, ab welchem Alter der betreffende Film freigegeben ist. Die Pflicht zur Angabe der Altersfreigabe wurde durch das föderale Gesetz Nr. 436-FZ „zum Schutz von Kindern vor für ihre Gesundheit und ihre Entwicklung schädliche Informationen" vom 22. Dezember 2010 für alle Informationsprodukte eingeführt.

Das vor kurzem verabschiedete föderale „Anti-Piraterie"-Gesetz Nr. 187-FZ zum Schutz des geistigen Eigentums vom 2. Juli 2013, ist ebenfalls von großer Bedeutung für die Filmindustrie. Dieses Gesetz hat das Informationsgesetz und Teil IV des Zivilgesetzbuchs durch Bestimmungen über die Haftung von Informationsvermittlern für die Verbreitung von nicht lizensierten Produkten im Internet ergänzt und Regeln für die Sperrung von Webseiten nach Anordnung des Moskauer Stadtgerichts festgelegt, falls solche Produkte auf ihren Seiten gefunden wurden und der Herausgeber der Seite sich weigert, sie zu entfernen. In ihrer ursprünglichen Fassung beziehen sich diese Vorschriften ausschließlich auf audiovisuelle Produkte. Aber ab dem 1. Mai 2015 werden sie für alle Arten von Werken gelten, die durch das Urheberrecht und verwandte Schutzrechte geschützt sind. Nur Fotos bleiben weiterhin ausgenommen. Die Staatsduma diskutiert derzeit auch über weitere Verschärfung des Gesetzes, die eine permanente Schließung von Webseiten ermöglichen würde, wenn ein Rechteinhaber mehr als einmal die betreffende Webseite erfolgreich verklagt hat. In solchen Fällen gibt es auch Bestimmungen für eine außergerichtliche Einigung, wenn der Herausgeber der Webseite innerhalb von 24 Stunden auf eine Beschwerde eines Rechteinhabers reagiert und den nicht lizensierten Inhalt von seiner Webseite löscht.

Staatliche Förderung der Filmproduktion

Die Bundesbehörde, die in Russland für die Filmproduktion zuständig ist, ist das Kulturministerium. Es verfügt sogar über eine Abteilung, die sich der Filmindustrie widmet. Diese Abteilung hat gleichzeitig die Funktion einer Regulierungsbehörde (sie erteilt die Filmzertifizierungen sowie Aufführ- bzw Vertriebsgenehmigungen, ohne die ein Film weder im Kino gezeigt noch über Video verwertet werden darf). Sie stellt auch Filmemachern finanzielle Unterstützung für die Produktion, den Vertrieb und die Vermarktung von Filmen zur Verfügung. Seit 2010 teilt sich das Kulturministerium diese Förderaufgaben mit dem Bundesfonds für soziale und wirtschaftliche Unterstützung der nationalen Kinoindustrie (dem Kinofonds).

2013 wurden die Zuständigkeiten des Kulturministeriums und des Kinofonds für die staatliche Unterstützung der Filmproduktion präziser voneinander abgegrenzt. Das Kulturministerium ist nun zuständig für die Förderung von Debütfilmen, Experimental-, Kinder- und Dokumentarfilmen. Der Kinofonds finanziert dagegen kommerzielle Kinospielfilme und Animationsfilme unabhängiger Produzenten und Filme sogenannter führender Filmemacher. Die Filme, die staatliche Förderung erhalten, werden jedes Jahr nach strengen Kriterien ausgewählt, u. a. nach Besucherzahlen, dem künstlerischen Wert und der Gesamterfolgsbilanz des Filmproduktionsunternehmens.

Das System für die Auswahl staatlich geförderter Filmprojekte wurde 2013 ebenfalls verändert. In den letzten beiden Jahren beruhte das Verfahren auf öffentlichen „Auswahlsitzungen", und zwar sowohl für die Filme unabhängiger Produzenten als auch für Projekte der anerkannten führenden russischen Filmproduzenten.

Die Regeln für die staatliche Förderung von Dokumentarfilmen wurden verschärft. Um die Qualität der Filme und die Attraktivität für die Kinobesucher zu verbessern, war zunächst vorgeschlagen worden, die staatliche Förderung von Vorverkaufsvereinbarungen mit einem Fernsehsender abhängig zu machen, dessen Sendebereich mindestens die Hälfte der Regionen der Russischen Föderation abdeckt. Später wurde diese Voraussetzung in einer Entschließung der Regierung abgemildert, und heute schreibt die Regelung nur noch vor, dass staatlich geförderte Filme öffentlich im Fernsehen (entweder über terrestrische Kanäle oder über Satellit) gezeigt werden müssen, in Kinos oder Filmclubs, im Internet oder aber auch nur auf Filmfestivals.

Insgesamt begrüßte die Filmindustrie die Reformen des Jahres 2013. Das Verfahren für die Verteilung der Mittel aus der staatlichen Filmförderung erscheint insgesamt systematisch und logisch. Aber es gab auch einige negative Auswirkungen: Die internationale Abteilung des Kinofonds wurde abgeschafft, und dies bedeutete das Aus für den Deutsch-Russischen Co-Development-Fonds und zwei gemeinsam mit Frankreich und Italien betriebenen Filmakademien, die 2011–2012 gegründet worden waren. Auf russischer Seite gibt es bisher noch keinen Rechtsnachfolger.

Die Finanzierung von Filmproduktion und –verleih über rückzahlbare Kinofonds-Darlehen ist die wichtigste Neuerung der letzten beiden Jahre in der staatlichen Filmförderung. 2012 wurden die ersten Vorschriften für die Berechnung der Anteile an den Einnahmen aus staatlich geförderten Filmen verabschiedet, die von den führenden russischen Filmproduzenten zurückgezahlt werden müssen. Diese Anteile reichen von 5 % bis 50 % der Einnahmen. 2013 wurden diese Vorschriften verschärft. Inzwischen gibt es sogar eine Haushaltslinie über die „Finanzierung auf der Grundlage vollständig rückzahlbarer Kredite." 2013 wurden 63 % der Förderung über den Kinofonds in Form von Zuschüssen gewährt und nur 12 % als vollständig rückzahlbare Kredite. 2014 lagen diese Anteile bei 39 % bzw. 40 %. Diese Regelung soll für russische Filmemacher ein Anreiz sein, sich bei der Produktion ihrer Filme stärker an der Marktnachfrage zu orientieren, um einen Teil der Kosten wieder einzuspielen.

Filmproduktion

Die russische Filmproduktion wächst dank eines verlässlichen Polsters staatlicher Förderung rasant. 2012–2013 wurden jährlich rund 700 Filme produziert. Davon waren 400 Dokumentarfilme, mehr als 100 Zeichentrickfilme und über 200 Spielfilme, einschließlich der Filme für den Filmverleih (etwa 90 pro Jahr) und für das Fernsehen, den Videomarkt und Online Streaming.

Das System der staatlichen Filmförderung hat zu einem Anstieg der Filmbudgets geführt, ohne dass die staatliche Förderung angehoben werden musste. Das Ergebnis ist eine Reihe überaus erfolgreicher Filme. Das Gesamtbudget für russische Spielfilme, die 2012 in die Kinos kamen, belief sich auf 8,3 Milliarden RUB und 2013 auf 10,8 Milliarden RUB. Die staatliche Förderung in diesen beiden Jahren betrug 2,3 Milliarden RUB bzw. 2 Milliarden RUB. 2010 gab es nur 11 Filme, deren Einspielergebnisse an den Kinokassen höher waren als ihre Produktionsbudgets – 2012–2013 war ihre Zahl immerhin auf 20 angewachsen. Mehr als 80 % der Einspielergebnisse für russische Filme, die auf dem heimischen Markt in die Kinos kommen, werden von den führenden Filmemachern erzielt, die staatliche Förderung erhalten. Die Zahl der produzierten Filme wächst kontinuierlich, auch die der Filme, die ohne staatliche Unterstützung gedreht werden. In den letzten Jahren zählten Unternehmen wie Bazelevs, CTB, Melnitsa Animation Studio und

Enjoy Movies zu den Filmproduktionsgesellschaften, die die höchsten Bruttoeinspielergebnisse erzielten. All diese Unternehmen gelten als führende Filmstudios und erhalten Unterstützung vom Kinofonds. Die neuen Bedingungen für die staatliche Unterstützung in Form rückzahlbarer Kredite könnten jedoch auch für diese Unternehmen zum Problem werden, da die meisten russischen Filme nicht einmal die Produktionskosten einspielen.

Problematisch ist jedoch auch die Einschränkung der internationalen Zusammenarbeit bei der Filmproduktion. Die Schließung der Internationalen Abteilung des Kinofonds hat dazu geführt, dass die Zahl der Koproduktionen mit ausländischen Partnern, die 2012 begonnen hatte, drastisch zurückgegangen ist. 2012 waren sechs Filme in Koproduktion gedreht worden, 2013 waren es nur noch zwei.

Technischer Rahmen für die Filmproduktion

Die russische Filmproduktion ist an wenigen Standorten konzentriert: in Moskau und (in geringerem Maße) St. Petersburg.

Mitte 2014 gab es in Russland mehr als 20 aktive Filmproduktionsgesellschaften mit rund 110 Studios. Die größten Filmproduzenten sind Mosfilm und Cinelab (in Partnerschaft mit My Studio). Sie bieten die vollständige Palette von Dienstleistungen für Produktion und Postproduktion von Filmen an. Die Ausrüstung der meisten staatlichen Filmstudios (mit Ausnahme von Mosfilm) ist veraltet. Sie müssten dringend modernisiert und ihre Arbeit stärker an betriebswirtschaftlichen Kriterien ausgerichtet werden. Die meisten dieser Studios bieten keine Dienstleistungen für andere Studios an. In den Jahren 2012 und 2013 wurde mit der Modernisierung der beiden ältesten Filmstudios begonnen – dem Gorky-Filmstudio und Lenfilm –, aber noch sind sie nicht das, was man unter einer modernen Filmfabrik versteht.

Inzwischen wächst der private Filmsektor weiter. Moskaus größte Filmproduktionsgesellschaft, Amedia, verfügt über 16 Filmstudios und hat sich vor kurzem mit einem anderen privaten Giganten zusammengeschlossen, Glavkino, das 10 Filmstudios betreibt. Angesichts des zunehmenden Wettbewerbs mussten die Russian World Studios 2012 ihren Moskauer Produktionsstandort schließen und ihre Tätigkeit auf ihr Filmstudio in St. Petersburg verlagern. Pläne zur Expansion mussten jedoch aufgegeben werden. Die meisten Filmgesellschaften mit eigenen Studios werden heute vor allem für Fernsehprojekte gebucht, weniger für Kinoprojekte.

Neben den Filmstudios gibt es auf dem Markt eine große Zahl von Dienstleistungsunternehmen für die Filmbranche. Das größte dieser Unternehmen (was den Umfang der Dienstleistungen betrifft) ist „29. Februar", das bis auf Filmbearbeitung und –aufzeichnung alle Arten von Dienstleistungen anbietet, einschliesslich Dreh- und Postproduktion. Da inzwischen der Übergang zur digitalen Technologie in den Kinos fast abgeschlossen ist, werden die Filmbearbeitungsstudios zunehmend von digitalen Studios abgelöst (in Russland gibt es bereits 14 dieser Studios).

Filmtheater

2014 waren bereits 93 % aller russischen Kinos (1.010 von 1.087) digitalisiert, und in den 3.466 kommerziellen Kinos gab es bereits 2.974 digitale Kinosäle. Anfang 2014 hatten 75 % der Kinos einen digitalen Kinoprojektor für jeden Kinosaal, und nur 7 % der Kinos waren noch nicht mit digitaler Technik ausgestattet. 2014 wurden bereits alle Filme entweder digital oder in Hybrid-Format erstellt. Nur 9 % der Filme wurden auch noch auf Zelluloid gedruckt. 2014 wird die Umstellung auf die neue Technologie abgeschlossen sein. Russische Kinos haben die Umstellung ohne umfangreiche Unterstützung über VPF-Regelungen[3] geschafft (nur die größten Kinoketten konnten solche Vereinbarungen abschließen, haben diese jedoch nicht öffentlich gemacht).

Die Expansion der Kinoinfrastruktur in Russland geht in zwei Richtungen: Einerseits die Digitalisierung von Leinwänden in Gemeindezentren kleiner Städte (mit Unterstützung durch regionale und kommunale Behörden), sowie andererseits die Eröffnung neuer - von Kinoketten betriebenen – Kinos in Einkaufs- und Freizeitzentren. Das größte Potenzial zur Expansion russischer Kinoketten bieten kleine Städte (mit weniger als 100.000 Einwohnern): Dort haben mehr als 70 % der Bevölkerung keinen Zugang zu Filmtheatern. In vielen großen Städten herrscht dagegen inzwischen ein starker Wettbewerb (die Kinosaaldichte in Städten mit mehr als 1 Million Einwohnern liegt inzwischen bei 4,8 je 100.000 Einwohner).

Angesichts sinkender Besucherzahlen und rückläufiger Einspielergebnisse versuchen die Kinobetreiber, durch neue Konzepte wieder mehr Besucher in die Kinos zu locken. So haben zum Beispiel Kinos in Russland in den Jahren 2012–2014 zunehmend neue Technologien eingesetzt, etwa IMAX, 4DX, D-Box, Auro und Atmos. Es gibt aber auch immer mehr Kinoketten, die ihren Besuchern luxuriösen Filmgenuss bieten. Diese Art der Differenzierung wird in den kommenden Jahren zunehmen und sowohl einzelnen Kinos als auch Kinoketten helfen, sich von Wettbewerbern abzuheben.

Auf dem russischen Filmtheatermarkt gibt es mehr als 553 große Kinobetreiber. Kinoketten machen lediglich 17 % aus (obwohl sie 73 % aller Kinosäle betreiben). Die größten Kinoketten sind Cinema Park, Formula Kino und Karo Film. In diesem Bereich hat es in letzter Zeit eine Reihe von Fusionen, Übernahmen oder Besitzerwechsel gegeben. 2011 hat Cinema Park die KinoStar-Kette gekauft; 2012 haben sich Kino-Formel und Kronverk Cinema zusammengeschlossen, Karo Film wurde von der Karo Group aufgekauft (eine Filmproduktions- und -vertriebsgruppe), die im Besitz der Baring Vostok und UFG Asset Management Investment-Fonds ist; im November 2014 wurde der Verkauf von Cinema Park angekündigt.

[3] Virtual Print Fee (VPF)

Filmverleih

Die digitale Revolution bei der Filmproduktion überall auf der Welt hat zu einer Senkung der Produktions- und Vorführkosten für Filme geführt. Dies ist auch der Grund, warum auf dem russischen Markt unabhängige Verleiher mit „Wide-Release" (Kinostart landesweit) und „Limited Release" (nur in wenigen ausgewählten Kinos) experimentieren konnten. Aber 2014 war das Potenzial für die Expansion des russischen Films und für die Ausweitung des Filmverleihs offensichtlich erschöpft. 2013 gab es 490 Filme im russischen Filmverleih, in der ersten Hälfte 2014 waren es 220. Offensichtlich ist die Zeit des Experimentierens vorbei, und für einige der ältesten und stärksten unabhängigen Filmverleiher hat sie ein unrühmliches Ende gefunden. Cinema Without Frontiers und Carmen sind vom Markt verschwunden. Auch die Zahl der Unternehmen, die Programme mit alternativen Inhalten in den großen Kinos herausbringen, geht zurück. 2014 konnten sich in diesem Marktsegment nur einige wenige spezialisierte Verleiher behaupten. Gleichzeitig ist das unterscheidende Merkmal dieses Vertriebstyps klarer geworden: Solche Projekte haben ein sehr langes Kinoleben.

Digitale Technologien haben auch die Entwicklung der regionalen Filmproduktion angekurbelt, unterstützt von privaten Investoren und von Regionalregierungen. Regionale Filme - die häufig in einer Sprache gedreht werden, die nur in einer bestimmten Region Russlands gesprochenen wird - werden in regionalen Kinos gezeigt und spielen in der Regel die Investitionen wieder ein. Die Republik Sacha (Jakutien) und die Republik Burjatien in Sibirien verfügen über die am weitesten entwickelte lokale Filmindustrie. 132.000 Kinobesucher haben 2013 diese lokalen Filme in den beiden Republiken gesehen, und die Filme haben im vergangenen Jahr 27 Millionen RUB an den Kinokassen eingespielt. Lokale Filme werden in immer mehr Regionen gezeigt, und sie werden bei den Kinobesuchern immer populärer. Der Erfolg ist für die Filmproduzenten ein Ansporn, ihre Filme auch in andere russische Republiken und sogar außerhalb Russlands zu exportieren. In nächster Zukunft dürften Filmproduzenten aus Sibirien und dem Fernen Osten Russlands auf kulturell verwandte asiatische Märkte vordringen. Der größte Teil dieser Filme sind kommerzielle Filme.

Auch russische Zeichentrickfilme entwickeln ein immer größeres Exportpotenzial. Ein besonders charakteristisches Beispiel ist *The Snow Queen*, der erfolgreichste russische Film, der zwischen 2011 und 2013 in der EU in den Filmverleih kam. Trotzdem sind die erfolgreichsten russischen Exportschlager nach wie vor Arthouse-Projekte. Sie locken in Europa sehr viel mehr Besucher in die Kinos als in Russland. Die wichtigsten europäischen Märkte für diese russischen Filme sind die Länder der ehemaligen Sowjetrepubliken und Frankreich.

Der einheimische russische Filmverleih stagnierte in den Jahren 2011–2012: Die Zahl der verkauften Eintrittskarten ging 2011 um 2 % zurück, Nach einem Nullwachstum 2012 zog das Wachstum 2013 wieder etwas an. Im Jahr 2013 verzeichnete der Markt 176 Millionen Kinobesuchern (ein Plus von 10 % gegenüber 2012) und in der ersten

Hälfte 2014 bereits 91 Millionen (+ 6 % gegenüber der ersten Hälfte 2013). Bis heute sind die Einnahmen an den Kinokassen Jahr für Jahr um 10 % gestiegen. 2013 erreichten sie 42,3 Milliarden RUB und in der ersten Hälfte 2014 23 Milliarden RUB. Allerdings werden die Einspielergebnisse wahrscheinlich aufgrund der Währungsschwankungen (wie bereits dieses Jahr erkennbar) stagnieren oder sogar zurückgehen (Box-Office-Ergebnisse werden in US-Dollar bewertet). Es besteht auch die Gefahr, dass die Nachfrage nach Filmen in den nächsten Jahren zum Stillstand kommt. Die Expansion der Kinoketten hat sich bereits entschleunigt, die digitale Umrüstung, die den Filmverleih in den letzten Jahren angekurbelt hat, ist fast abgeschlossen, und der demographische Wandel – der Rückgang der Gruppe der 18-25jährigen (das sind die häufigsten Kinogänger) macht sich bereits beim Filmverleih bemerkbar.

Home-Video

Seit das *Videomagazine* 2011 die Veröffentlichung eingestellt hat, gibt es keine Verkaufsstatistiken für den russischen Home-Video-Markt mehr. Experten zufolge ist die Zahl der Filme auf physischen Medien erheblich zurückgegangen. 2010–2012 wurden in der Kategorie A durchschnittlich 5.000–10.000 Filme auf Blu-Ray (BDs) produziert, aber 2014 waren es nur noch 2.000–3.000. Die DVD-Produktion ist von durchschnittlich 100.000 Kopien auf 30.000 bis 40.000 ähnlich stark zurückgegangen. Der Hauptgrund für den Zusammenbruch des Marktes liegt im Rückgang der Verkaufsstellen für CDs in Russland. Viele Fachgeschäfte mussten schließen. Große Elektronikmärkte bauen zunehmend ihre DVD- und Blu-Ray-Regale ab, ebenso wie die großen Warenhäuser, die in den Jahren 2006-2007 das rasche Wachstum bei den CD-Verkäufen erleichtert haben.

Die Zahl der Titel auf DVD geht allerdings nicht so stark zurück. Jedes Jahr kommen in Russland etwa 2.000 Titel auf den Markt. Das vor kurzem eingeführte Blu-Ray-Format konnte nicht an den Erfolg seines Vorgängers anknüpfen, da es als erstes unter dem Rückgang der Massen-Disc-Verkäufe in Kaufhausketten gelitten hat: Die Liste der Blu-Ray-Titel ging 2014 von 300 auf 200 Titel und damit um ein Drittel zurück.

Der russische Markt für Home-Video wird eindeutig von Spielfilmen dominiert. Allerdings lässt sich ein Unterschied zwischen DVDs und BDs feststellen: Bei DVD liegt der Schwerpunkt eher auf Kinder- und Zeichentrickfilmen, bei Blu-Ray sind es dagegen eher Blockbuster, Filme im Hochpreissegment, einschließlich Fernsehserien und Dokumentarfilmen. Im DVD-Segment halten sich neue Kinofilme (Filme, die in den letzten beiden Jahren in die Kinos kamen) und ältere Katalogtitel in etwa die Waage. Auf der anderen Seite gibt auf dem Blu-Ray-Markt seit 2012 der Rückgang der Archivtitel den Trend vor. 2014 sank ihr Anteil auf 26 %.

Jedes Jahr nimmt der Anteil russischer Filme am Home-Video-Markt ein wenig zu, während Filme aus anderen europäischen Ländern immer stärker zurückgehen. Das liegt daran, dass Videoverleiher, vor allem diejenigen, die unabhängige Filme und Arthouse-Filme in ihrem Programm haben, vom Markt verschwinden. Die Dominanz der Hollywood-Majors auf dem Home-Video-Markt ist ein weiteres Problem. Die Verträge russischer Verleiher mit Hollywood-Studios laufen aus, und die neuen Verträge haben kürzere Laufzeiten. Es gibt in Russland derzeit etwa 20 Video-Verleiher. Die größten sind VideoService, Noviy Disk, Lizard Cinema Trade und CP Distribution. In den kommenden Jahren könnte der Markt weiter schrumpfen. Es ist nicht auszuschließen, dass nur noch 3–5 Unternehmen übrig bleiben werden. Diese werden sich dann wahrscheinlich darauf konzentrieren, neue Filme und teure Sammlerausgaben von berühmten Filmreihen auf den Markt zu bringen.

Video on Demand

Inzwischen ersetzt Video-on-Demand (VoD) immer stärker Home-Video auf physischen Medien. VoD kann ein rasantes Wachstum in Russland aufweisen. Für 2012 schätzte iKS Consulting die Umsätze von Video-on-Demand in Russland auf insgesamt 1,13 Milliarden RUB. Für 2013 waren es bereits 2,79 Milliarden RUB, und allein in der ersten Hälfte 2014 2,32 Milliarden RUB.

Zu diesem rasanten Wachstum haben mehrere Faktoren beigetragen. Smart TV ist auch in Russland auf dem Vormarsch: 2013 gab es in Russland bereits 4,2 Millionen Fernsehgeräte mit Internetanschluss. Der Rechtsrahmen wurde verstärkt, und das Gesetz gegen Piraterie zeigt erste positive Resultate. Die Anbieter weiten ihre HD- und 3D-Angebote aus. Allmählich entwickelt sich Kundenbindung; die Menschen werden mit der Nutzung von VoD-Diensten vertraut und sind auch eher bereit, für Inhalte zu zahlen, vor allem für Abonnements.

2013 entfiel der größte Anteil des VoD-Marktes auf Online-Streaming von Filmen (58 %), gefolgt von VoD-Anbietern und Content-Stores (26 % bzw. 16 %).

Der VoD-Markt in Russland wird von Online-Streaming-Diensten dominiert – fünf Unternehmen teilen sich jeweils mehr als 5 % des Marktes (ivi.ru, Play (oder Okko), Tvigle, Videomore, und Zoomby). IPTV-Anbieter Rostelecom und der Anbieter von Satellitenfernsehen Tricolor zählen ebenfalls zu den Schwergewichten. Eine sehr starke Position auf dem russischen Markt hat auch der iTunes Store. In der ersten Hälfte des Jahres 2014, gerade einmal ein Jahr nach seinem Markteintritt in Russland, entfallen bereits 13 % der Video-on-Demand-Einnahmen auf dieses Unternehmen. Der Marktanteil von Google Play, das in etwa zur selben Zeit auf den russischen Markt kam, liegt dagegen nur bei 3 %.

Fernsehen

Ein weiterer bedeutender Absatzmarkt für Kinofilme in Russland ist das Fernsehen. Doch gerade das Fernsehen ist für russische Filmproduzenten und –verleiher in den letzten Jahren zu einem immer größeren Problem geworden. Dies ist einer der Gründe, warum die größten unabhängigen Verleiher (Cinema Without Frontiers und Carmen) schließen mussten. Das Problem liegt darin, dass der Verkauf von Filmrechten an das Fernsehen seit langem eine bedeutende

Einnahmequelle für Rechteinhaber ist. Aber die finanzielle Situation der größten Sender hat sich in letzter Zeit gravierend verschlechtert, denn immer mehr Zuschauer kehrten den Sendern den Rücken. Außerdem hat die Finanzkrise der Jahre 2008–2009 zum Rückgang der Werbeeinnahmen geführt. Fernsehsender kaufen inzwischen sehr viel weniger Kinofilme. So hat Angaben von TNS Russland zufolge Kanal 1 sein Filmprogramm zwischen 2010 und 2013 um 2,3 Prozentpunkte gekürzt, Rossiya 1 um 3,8 und NTV sogar um 14. Und obwohl die meisten Sender aus der zweiten Gruppe der zehn in dem untersuchten Zeitraum größten Sender ihren Anteil an Filmen am Fernsehprogramm erhöht haben, können die Einnahmen – und auch die Preise, die sie für Filme anbieten – die Verluste, welche die Rechteinhaber aufgrund des Rückgangs der Einkäufe der führenden Fernsehsender verzeichnen, nicht ausgleichen. Dabei verdienen die führenden Fernsehsender nicht nur mit Werbeeinnahmen Geld, sondern erhalten auch staatliche Unterstützung.

Die meisten Kinofilme werden von öffentlich-rechtlichen Sendern wie Zvezda (Filme machen 2013 mehr als 47 % des Programms aus), TV 3 (42 %) und TV Centre (30 %) gezeigt. Aber gerade diese Sender haben nicht unbedingt die höchsten Einschaltquoten, und sie zählen auch nicht unbedingt zu den am besten bewerteten Sendern.

Die Verschiebung der Frist für die Umstellung auf digitales Fernsehen von 2015 auf 2019 dürfte ebenfalls dazu beitragen, dass die führenden Fernsehsender, deren Programme über den ersten Multiplex übertragen werden, weniger teure Inhalte kaufen, da die Bedingungen für die Unterstützung ihrer Ausstrahlung digitaler und analoger Signale sich ebenfalls geändert haben. Die Sender, deren Programme über den zweiten Multiplex übertragen werden, werden dagegen durch die Verschiebung Geld sparen. Sie müssen nicht bis 2018 für die parallele Übertragung in analogem und digitalem Format bezahlen, weil sie im Augenblick ohnehin nur analog senden können.

Gleichzeitig gewinnen in Russland nicht-terrestrische Sender immer mehr an Popularität. Die Zahl ihrer Zuschauer wächst, und zwar nicht nur potentiell (Kunden, die ein Pay-TV-Abonnement abgeschlossen haben), sondern real (diejenigen, die spezielle Sender mindestens einmal pro Monat sehen), und sie weiten ihr Angebot aus. Das Potenzial der nicht-terrestrischen Sender, neue Einnahmen zu erwirtschaften, wächst und ermöglicht ihnen, weitere Finanzierungsquellen für den Kauf von Inhalten zu nutzen. Aber aufgrund der Verabschiedung von Gesetz Nr. 270-FZ vom 21. Juli 2014, das Pay-TV-Sendern Werbung untersagt, wird sich dies ab dem 1. Januar 2015 ändern. Wahrscheinlich werden die Preise, die von nicht-terrestrischen Sendern für Inhalte angeboten werden, noch weiter fallen, da ihnen in Zukunft weniger Mittel zur Verfügung stehen werden, sie jedoch den Umfang ihrer Filmkäufe nicht verringern werden. Denn das Werbeverbot wird die Sender zwingen, ihre Abonnementsgebühren für ihre Dienste zu erhöhen, und das bedeutet, dass sie versuchen müssen, ihre Zuschauer mit qualitativ höherwertigen Angeboten zu halten.

Ein weiteres Gesetz, das sich auf den Anteil von Kinofilmen im Fernsehen auswirken wird, ist das Gesetz über die Massenmedien, das ausländische Medienanteile drastisch begrenzt (Nr. 305-FZ, vom 14.

Oktober 2014). Die Auswirkungen dieses Gesetzes werden vor allem CTC Media und der Disney-Kanal zu spüren bekommen, da sie erhebliche Anteile an ausländischem Kapital haben und diesen Anteil auf die vorgeschriebenen 20 % reduzieren müssen.

Schlussfolgerungen

Seit der Veröffentlichung unseres letzten Berichts 2012 hat es in der russischen Filmindustrie eine Reihe bedeutender Veränderungen gegeben.

Die Vorschriften für die staatliche Förderung der Filmproduktion wurden ein weiteres Mal geändert. Diese Änderungen wurden von der Filmbranche insgesamt begrüßt, da sie die Transparenz bei der Auswahl der geförderten Filmprojekte verbessern. Das 2010 eingeführte System für die Unterstützung führender Filmstudios hat dazu beigetragen, den russischen Filmsektor zu stärken und die Anzahl russischer Filme ohne Steigerung der staatlichen Unterstützung zu erhöhen: Produzenten mit dem offiziellen Status eines führenden Filmproduktionsunternehmen finden es leichter, zusätzliche Investitionen zu mobilisieren. Gleichzeitig stellen die neuen Vorschriften für rückzahlbare staatliche Kredite für die Filmproduktion und den Filmverleih eine Herausforderung für russische Produzenten dar.

Ein Nachteil der Reformen liegt jedoch in der Weigerung Russlands, seinen internationalen Verpflichtungen nachzukommen und die Tatsache, dass der vor kurzem geschaffene gemeinsame Entwicklungsfonds sowie die Filmakademien mit Frankreich, Deutschland und Italien vor dem Aus stehen. Ein weiterer Nachteil ist die Vernachlässigung der Koproduktionen durch den Staat und der dadurch verursachte Rückgang der internationalen Koproduktionen.

2014 ist die digitale Umrüstung für Filmverleih und Kinos fast abgeschlossen. Dieser Prozess hat eine Welle des Experimentierens mit unterschiedlichen Formen des Kinostarts ausgelöst: Mehr Filme, mit mehr Kopien, wurde auf Großleinwänden gezeigt, darunter auch einige Filme aus den 1990er Jahren, die vorher niemals in russischen Kinos zu sehen, jedoch in der Zeit der Video-Salons zu einer Legende geworden waren. Die Zeit des Experimentierens fand jedoch ein abruptes Ende, als klar wurde, dass eine Zunahme an Filmen nicht automatisch eine wachsende Besucherzahl bedeutet. Einige Filmverleiher mussten schließen. Die Gründe lagen unter anderem auf dem Fernsehmarkt, wo sowohl die Preise als auch der Umfang der Filme, die von den Fernsehsendern eingekauft wurden, zurückgingen. Aber auch auf dem Home-Video-Markt waren Ursachen zu finden, denn dort ging die Nachfrage nach physischen Medien drastisch zurück. Kinos, die nicht rechtzeitig auf digitale Technologie umgestellt haben, müssen schließen, da es nicht mehr genügend Zelluloid-Kopien gibt.

Das russische Gesetz gegen Piraterie wurde auf dem audiovisuellen Sektor verschärft. Dies hatte die größte Auswirkung auf den Video-on-Demand-Sektor. Fernsehzuschauer nutzen zunehmend VoD-Dienste, die immer stärker das traditionelle Home-Video ersetzen: DVD werden durch

Abonnements von Online-Diensten abgelöst, und Blu-Rays müssen immer mehr HD-Versionen von Filmen in Content-Stores weichen.

Im Großen und Ganzen waren die meisten Veränderungen vorhersehbar, da sie einem globalen Trend folgen. Der einzige ungewöhnliche Faktor ist das System der staatlichen Unterstützung der Filmproduktion, das sich auf die führenden Filmproduktionsunternehmen und auf die Produktion kommerziell erfolgreicher Filme konzentriert. Der nach innen gerichtete Schwerpunkt der russischen Regierungspolitik spiegelt sich auch in der Behandlung der Filmproduktion wider, ebenso in der Unterstützung von Quoten für die heimische Filmproduktion, ein Thema, das nicht von der Tagesordnung der russischen Politik wegzudenken ist.

CHAPTER 1. THE FILM INDUSTRY IN RUSSIA: INSTITUTIONAL FRAMEWORK

1.1. Legal and regulatory framework for the Russian film industry

1.1.1. Federal Law 'On State Support for Cinema in the Russian Federation'

The Federal Law 'On State Support for Cinema in the Russian Federation' (Federal Law No 126-FZ), adopted on 22 August 1996, remains to this day the main regulatory law governing the activities of executive agencies with regard to the film industry, as well as the procedure for cooperation between these agencies and film industry organizations in providing state support for film production, distribution, and promotion; film events aimed at promoting Russian cinema; and other measures intended to maintain and develop the film industry. The Law states that cinema produced in the Russian Federation is "an integral component of culture and art, and must be protected and developed with help from the state", which includes: adopting laws and other regulations in the field of film production; private financing of the production, distribution, and screening of motion pictures; and covering the costs associated with the operation of the Consolidated Automated Information System (CAIS) which gathers data on films shown in cinemas, and which was introduced in its initial form in Russia on 1 May 2010.

The Russian Government tasks a federal executive agency, as well as executive agencies in the various regions of the Russian Federation, with providing this state support. In Resolution No. 590, dated 20 July 2011, the Russian Government approved the Statute of the Ministry of Culture of the Russian Federation, which was tasked with developing and implementing state policy in this area, as well as the legal and regulatory framework for the film industry. The role of the Russian Ministry of Culture includes developing and implementing new initiatives, and in particular, preparing amendments to current legislation to improve the effectiveness of government regulation; the Ministry performs these tasks in cooperation with the Russian Ministry of Economic Development and the Russian Ministry of Finance.

One of the key provisions of Federal Law No. 126-FZ is the definition of the Russian 'national films' category, since state support for the production, distribution, and screening of films may only be granted to projects with this status, which also qualifies the filmmakers for tax breaks established by the law. A film is deemed to be a national film where:

- the film's producer is a citizen of the Russian Federation or a legal entity duly registered within the Russian Federation
- a majority of the film's authors are citizens of the Russian Federation
- not more than 30% of the film's cast and crew (directors, directors of photography, camera operators, sound engineers, production

designers, costume designers, editors, and principal cast) are persons who do not hold citizenship of the Russian Federation

- the film is produced in Russian or one of the other languages of the peoples of the Russian Federation, except for cases when using a foreign language is an intrinsic part of the artistic concept
- at least 50% of the total estimated volume of work in producing, printing, distributing, and screening the film is performed by film organizations that are duly registered within the Russian Federation
- foreign investment in the production of the film does not exceed 50% of the film's estimated budget

Film projects produced in accordance with the Russian Federation's international agreements, in collaboration with film producers who are foreign citizens, stateless persons, or foreign legal entities, may also be considered national films.

State financing for the production or distribution of a national film, as a rule, may not exceed 70% of its budgeted production or distribution cost. In certain exceptional cases, allowing for the artistic and cultural value of a film project, the federal executive body for the film industry, i.e. the Russian Ministry of Culture, may adopt a decision to finance up to 100% of a national film's estimated production cost. The film will also receive financing to participate in category A international film festivals. In such cases, payment of up to 100% of the estimated cost of festival participation is permitted.

The Law also lays out the terms for the privatization of a film industry organization. The transfer of a state (or municipal) entity into private hands is only allowed if cinema-related functions remain the main type of activity of the privatized organization. At the same time, Federal Law No. 126-FZ prohibits the privatization of organizations that specialize in screening films for children or in general if they are the only such venue in their locality.

Between 2012 and 2014, Federal Law No. 126-FZ was amended on three occasions. Amendment No. 9, dated 12.11.2012 (no longer in effect), was based on the Federal Law 'On Amending the Russian Federation Code of Administrative Offences and Individual Legal Acts of the Russian Federation' (Federal Law No. 191-FZ), signed the same day. The amendment concerned Part 8 of Article 6.1 relating to the CAIS. The amendment to Federal Law No. 126-FZ was relatively modest (according to the new version, the Russian Government would now establish not only the process by which the CAIS functioned and the terms according to which the information it contained would be provided, but also the frequency with which the data in that system would be provided). However, the Russian Federation Code of Administrative Offences, for example, was amended to include an entire article dedicated to film exhibitors' liability for violating the requirements governing the functioning of the CAIS. Accordingly, the legislation stipulates an administrative fine ranging from RUB 100,000 to RUB 400,000 for the first instance in which an exhibitor that is offering paid screenings of a film in a cinema fails to provide the required information, provides incomplete information, or knowingly provides incorrect information. The fine for a repeated violation ranges from RUB 400,000 to RUB 800,000.

Version No. 10 of Federal Law No. 126-FZ, dated 28.12.2013 (also no longer in effect), was triggered by the adoption of Federal Law No. 44 'On the Contract System for Purchase of Goods, Labour, and Services to Provide for State and Municipal Needs' on 5 April 2013, and by the need to refer to the new law in a number of articles of relevant legislation relating to state support. Thus, the amendments were mainly technical in nature.

Version No. 11, dated 05.05.2014 (currently in effect), was prepared on the basis of the Federal Law 'On Amendments to the Federal Law On the State Language of the Russian Federation and Individual Legal Acts of the Russian Federation Connected to Improving Legal Regulation of the Use of the Russian Language'. The changes concerned the definition of national film status, which can no longer be granted to a project in which "obscene language is used", and also added to the law Article 5.1, 'Film Distribution Licences', which stipulates that "the distribution within the Russian Federation of any film and/or the screening of a film without a distribution licence stipulating, in particular, the way the film is used, is not permitted, with the exception of the screening by broadcast, cable, or satellite television of films created for such purposes, and the screening at international film festivals taking place within the Russian Federation of films imported from abroad for such purposes." Violators may be held liable under Russian law. At the same time, a film distribution licence will not be issued if the film contains material that violates Russian legislation on terrorism and extremist activities; contains information about ways and means to manufacture and prepare narcotic drugs, psychotropic substances, or their precursors; contains materials promoting pornography or the cult of violence and cruelty; uses concealed messages or other technical means and methods to distribute information acting on the human subconscious and/or having a harmful effect on human health; or if the film contains obscene language. The procedures for issuing, declining to issue, and revoking a film distribution licence are established by the Russian Government, while the Russian Ministry of Culture provides state services to issue distribution licences for films created in Russia or obtained from abroad for distribution within Russia.

In August 2014, the Russian Ministry of Economic Development announced its intent to draft amendments to Federal Law No. 126-FZ whereby film production costs would include costs for civil liability insurance covering investment agreements for the production of national films. The Ministry believes that such a measure will encourage an increase in the flow of private investment to the film industry. One reason behind the drafting of this document was the frequent appeals from those involved in the industry calling for such a move. No date has yet been announced for this initiative to be put in place.

1.1.2. Laws on intellectual property, authors', and associated rights

On 1 January 2008, Part Four of the Russian Civil Code came into effect to replace the 9 July 1993 Russian Federation Law No. 5351-1 'On

Copyright and Related Rights', and that law still serves as the foundational law governing the legal aspects connected with the authorship, creation, and use of films as audiovisual works[4]. According to Article 1263, the director, the scriptwriter, and the composer of a musical work (with or without lyrics) composed specifically for a given film are recognized as the authors of that film. Meanwhile, the rights of the producer as the individual organizing the creation of a complex product, including several protected items of intellectual property, are defined by Article 1240 of the Code. The producer may obtain the right to use that intellectual property on the basis of contracts waiving exclusive rights or licensing agreements concluded by him with the holders of the exclusive rights to that intellectual property. The producer has the right, during any use of the film as an audiovisual work, to indicate his name or to demand that such an indication be made.

Separately, the Code stipulates the rights of the composer of music for the film: "In cases of public use or of the broadcasting or cable transmission of an audiovisual work, the composer of a musical work (with or without lyrics) used in that audiovisual work retains the right to royalties for the indicated types of use of his musical composition." To this day, this clause provokes a great deal of dispute and conflict within the sector, and there are frequent attempts to resolve these issues in court. According to Russian Government Decree No. 218, dated 21 March 1994, 'On the Minimum Royalty Rates for Certain Types of Use of Literature and Art', in film distribution, the minimum royalty for the use of music (with or without lyrics) during a commercial showing of an audiovisual work in a cinema or other public place is defined as 3%, or for a free viewing, 0.5% of the payer's total receipts. Funds are paid through an accredited organization: this function is currently being performed by the Russian Authors' Society (RAO). In August 2013, the RAO's state accreditation was extended for 10 years. For many years now, those involved in the film industry – not just film exhibitors (represented by the non-commercial partnership Kinoalliance and individual cinemas), but also producers (represented by the Association of Film and Television Producers and the Russian Producers' Guild) – have been campaigning to reduce the minimum royalty rate for composers. As a result, in autumn 2011 the Government Council on the Development of the Russian Film Industry, headed at the time by then Russian Prime Minister Vladimir Putin, resolved that it would be necessary to reduce not just the royalty rate, but also the basis on which it is calculated, counting not total ticket sales, but only the half of receipts reserved for cinemas (the other half goes to the distributor and producers). In January 2013, the Russian Ministry of Culture drafted and distributed for inter-agency approval plans for a new Russian Government decree on minimum royalty rates for public performances of music. According to this document, royalties should total 1% of receipts from ticket sales. This decree has not yet been adopted, but in practical terms, since 2012 when it was announced at the Cinema

[4] See also Lead Article in IRIS plus 2012-1,«Answers to Internet Piracy » on the Russian legal framework and its development: www.obs.coe.int/documents/205595/865104/IRIS+plus+2012en1LA.pdf

Russia 2020 forum that the RAO had taken steps to reach a compromise with cinemas, the base rate has been reduced from 1.5% to 1.2%, and special rates for chain cinemas (1%) and new and rebuilt cinemas (0.5%) have also been introduced. In the future, the film community intends to achieve a reduction in rates to 0.3%. Nevertheless, not all exhibitors approve of the current situation in the sector, expressing their discontent by refusing to conclude contracts with the RAO. Experience shows that today, cinemas have two options for shaping their relationship with the RAO: either conclude a contract and pay the royalties, or go to court. In theory, there is also a third option, or more accurately, state, in which several venues find themselves today: "We don't touch the RAO, and the RAO ignores us." But that situation is unsustainable, and sooner or later film exhibitors will be forced to choose: a contract or court. There are ways of standing up to the RAO in court, but they only work in the early stages of court proceedings. In the final analysis, cinemas are not managing to get cases decided in their favour. Meanwhile, the RAO collects

On 6 August 2014, the Russian Federation Supreme Court of Arbitration (RF SCA) ceased operations after becoming part of a new Supreme Court of the Russian Federation. Its historical last plenum ruling was, No. 51, dated 18.07.2014, 'On Certain Issues Arising When Reviewing Disputes Involving Organizations Collectively Managing Copyright and Associated Rights'. Two points in that ruling are important for cinemas. Firstly, the RAO may only represent the interests of composers with whom that organization has a contract. It seems that no type of accreditation may be taken into account. Secondly, the RAO has apparently been deprived of any economic incentive to collect funds from cinemas, because the relevant amounts may only be awarded to a specific rights holder. This means that, theoretically, the RAO may not reserve any portion of the funds for itself.

It would seem that these new circumstances are of benefit to cinemas, and most of all to those who have not signed any contract with the RAO to pay royalties for the use of music included in audiovisual works, because now the RAO is likely to have more difficulty suing them on a non-contractual basis. However, the SCA's plenum ruling has so far had no effect whatsoever on current legislation, and until amendments are made to the Code at the governmental level, the problems that cinemas are experiencing regarding payments to composers will continue.

Furthermore, Article 1245 of the Code specifies that "authors, performers, and manufacturers of audio and audiovisual works have the right to remuneration for the free use of audio and audiovisual works exclusively for personal purposes." Such remuneration is compensatory in nature and is paid to the rights holder out of funds subject to payment by the producers and importers of equipment and media used for such purposes (CDs, DVDs, BDs, flash drives, etc.). Russian Government Resolution No. 829 'On Compensation for the Free Use of Audio and Audiovisual Works for Personal Purposes', dated 14 October 2010 and

[5] Based on the article 'Nereshaemoye uRAOvnenie' ('Unresolved Equation'), published in the electronic version of *Booker's Bulletin*, No. 40 (463), 24 December 2012.

amended in 2012 and 2013, established that rate as 1% of the unit cost of equipment and media. Fees are collected by the Russian Union of Right-Holders (RUR), accredited by the Government of Russia. Fees for audiovisual works are distributed in the following proportions: 40% to the authors; 30% to the performers whose performance is recorded in the audiovisual works; and 30% to the manufacturers. The RUR can spend up to 15% of collected funds to meet its own needs. This compensatory fee is used as a weapon against audiovisual piracy. In early 2012, the Russian Government proposed to differentiate the copyright fee; however, a final decision regarding this issue has yet to be made due to difficulties in calculating damages incurred by authors as a result of private copying.

Article 1252 of the Code concerns the direct protection of exclusive intellectual property rights. This protection takes the form of claims lodged:

- for the recognition of rights – against a person who denies or otherwise fails to recognize rights, thereby infringing upon the interests of the rights holder
- for an injunction against actions that infringe upon rights or threaten such an infringement – against a person who has committed such an action or is preparing to do so
- for damages – against a person who unlawfully uses intellectual property or a means of identification without concluding an agreement with the rights holder (non-contractual use) or in any other way infringes upon exclusive rights and inflicts damage
- for seizure of physical media – against anyone who manufactures, imports, stores, transports, sells, otherwise distributes, or purchases such media in bad faith
- for publication of court rulings on infringements committed with indication of the actual rights holder – against anyone infringing upon exclusive rights

Instead of damages, the rights holder may demand that the person infringing on his exclusive rights pay compensation subject to collection should it be established that an actual legal violation occurred. In that case, the rights holder applying for remedy is not required to prove the size of the damages incurred. Article 1301 of the Code stipulates that the amount of compensation may be either a sum between RUB 10,000 and RUB 5 million (at the discretion of the court), or twice the cost of the copies of the work or twice the cost of the rights to use the work, determined using the price which would usually be assessed for the lawful use of the work in similar circumstances. The rights holder may demand that the violator pay compensatory damages for each instance of unlawful use of his intellectual property or means of identification, or else for the infringement committed as a whole.

The article also lists the cases in which media may be declared counterfeit and which actions should be applied with respect to those media and to the organizations or individuals producing them. However, due to a significant decrease in sales, especially for DVDs, and with the even more significant development of the Internet, the issue of protecting exclusive intellectual property rights online has become much more pressing in recent years. At the many meetings and conferences on this topic, film industry professionals have asserted that the war against pirated discs was lost in its time, and that they cannot now permit a similar defeat on the World Wide Web. Meanwhile, in Russia and around the world, torrent trackers are the main enemy online, as they allow users to share illegal products with each other. This was the determination made as a result of the 2 July 2013 adoption of Federal Law No. 187-FZ 'On Amendments to Specific Legislative Acts of the Russian Federation on the Protection of Intellectual Property Rights on Information and Telecommunications Networks', and of the appearance in the Code of Article 1253.1, relating to the liability of information intermediaries, who are defined as "persons carrying out the transfer of material on an information and telecommunications network, including the Internet, persons providing the ability to post material or information necessary for it to be obtained using an information and telecommunications network, and persons providing the ability to access the material on that network." According to the addition made, the information intermediary is liable for infringements of intellectual property rights in general, with the exception of two situations. Firstly, the intermediary is not liable if, when transferring the material to the information and telecommunications network, he:

- is not the initiator of that transfer and has not determined the recipient of that material
- has not changed the material while rendering communications services, with the exception of changes made to facilitate the technical process of transferring the material
- is not aware and had no reason to be aware that the use of the intellectual property or means of identification in question by the individual who initiated the transfer of the material containing the intellectual property or means of identification in question was unlawful

Secondly, the intermediary is not liable if, when providing the ability to post material on an information and telecommunications network, he:

- is not aware and had no reason to be aware that the use of the intellectual property or means of identification in question contained in such material was unlawful
- and, in the event that he receives a written notice from the rights holder regarding the infringement of intellectual property rights indicating the webpage and/or IP address at which such material has been placed, he takes necessary and sufficient measures in a timely manner to halt the infringement of intellectual property rights

According to Federal Law 187-FZ, in the event that the rights holder finds films distributed without his permission or another legal basis on an information and telecommunications network, including the Internet, the rights holder may submit documents to a court attesting the unlawful presence of said films on the network and the complainant's rights to said films. Furthermore, based on a court order already in effect, the rights holder may petition the federal executive agency which exercises oversight and supervisory functions over the media, information technology, and communications to take measures to limit access to the information resources used to distribute such films. The federal agency shall, within three working days, identify the hosting provider or other person facilitating the hosting of such an information resource, serving the owner of the site, and send him notice in electronic form, in both Russian and English, that a violation has been identified, with a demand that he take measures to delete such information. The recipient of such a notice shall, within one working day, inform the owner of the information resource he services and notify him of the need to immediately delete the unlawfully hosted information and/or take measures to limit access to it. Within one working day of receipt of such notice, the owner of the information resource must delete such information. Should the owner of the information resource refuse or fail to act, access to that resource must be curtailed no later than at the end of three working days from the time the provider receives notice from the federal agency. If appropriate measures are not taken by the deadline indicated, the information will be sent via the system for cooperation with communications operators. They must also curtail access to the resource within 24 hours. If he is not later proven guilty of distributing pirated material, the site owner has the right to claim compensatory damages.

Not long before Federal Law No. 187-FZ was signed by President Vladimir Putin, the Russian Association for Electronic Communications published an open letter to the Russian President[6], signed by representatives of the biggest Internet companies, calling for the draft law to be reconsidered on the grounds that the document "contains within itself broad opportunities for abuse and for bad faith use in competition battles." The letter states that the bill would "block Internet resources with no prior notice merely on the basis of a presumed violation, and such a rule poses a significant threat both to new legitimate services and to information intermediaries." This initiative also does not take into account "the possibility of the lawful use of products protected by copyright without the permission of the rights holder, stipulated by civil law and international practice." But the letter was not taken into consideration and the new rules protecting exclusive intellectual property rights on the Internet went into effect on 1 August 2013. The Russian State Duma amended the law in November 2014 to extend the applicability of the new rules to all copyright and associated rights, except for the rights to photographic works and works obtained by means similar to photography. Those amendments are scheduled to enter into force on 1 May 2015.[7]

[6] Open letter from the Internet industry regarding Bill No. 292521-6 'On Amendments to Specific Legislative Acts of the Russian Federation on the Protection of Intellectual Property Rights on Information and Telecommunications Networks', http://raec.ru/times/detail/2667/ (Russian only).

[7] Federal Law 'On Ammendments to Federal Law "On Information, Information Technology and Protection of Information" and the Civil Procedural Code of the Russian Federation' No. 364-FZ dated 24 November 2014.

1.1.3. Federal Law 'On Protecting Children from Information Harmful to their Health and Development'

Adopted relatively recently, at the end of 2010, Federal Law No. 436-FZ 'On Protecting Children from Information Harmful to Their Health and Development' has already passed through four versions, several of which have had a significant impact on the Russian film industry. For instance, according to amendments approved on 28 July 2012 by Federal Law No. 139-FZ 'On Amending the Federal Law on Protecting Children from Information Harmful to their Health and Development', which entered into force on 1 September 2012, all information products, including films, are subject to classification by age category:

- for children under six years of age
- for children six years of age and older
- for children twelve years of age and older
- for children sixteen years of age and older
- not for children

Information products are to be classified by manufacturers and/or distributors independently (including with the participation of one or more experts and/or expert organizations) before they are circulated within the Russian Federation. Information obtained as a result of classifying an information product must be indicated by its manufacturer or distributor in accompanying documentation, as well as on fliers, announcements, and event tickets. In cinemas, the age restriction symbol must also be shown before the start of a film screening.

Further amendments to Federal Law No. 436-FZ concerned the list of information that is prohibited or restricted for distribution to children. According to the latest version, information prohibited or restricted for distribution to children includes:

- information inciting children to commit actions that pose a threat to their lives and/or health, including harming their own health and suicide
- information capable of promoting in children a desire to use narcotic drugs, psychotropic and/or intoxicating substances, tobacco products, alcohol and alcohol-containing products, beer and beverages prepared using alcohol; or a desire to engage in gambling, prostitution, vagrancy, or begging
- information justifying or excusing the use of violence and/or cruelty or encouraging violent actions with respect to people or animals, except in cases stipulated by this Federal Law
- information contrary to family values, promoting non-traditional sexual relationships and cultivating disrespect towards parents and/or other family members
- information excusing unlawful behaviour
- information containing obscene language
- information containing material which is pornographic in nature
- information about a juvenile who is the victim of unlawful actions (or inaction), including his first, middle, or last name; a photo or video image of such a juvenile or of his parents and other lawful

representatives; the date of birth of such a juvenile; a sound recording of his voice; his place of residence or temporary location; the place where he studies or works; or other information directly or indirectly allowing such an individual to be identified

Information subject to restricted dissemination among children of certain age categories includes:

- information depicting in the form of images or describing cruelty, physical and/or psychological force, crime, or other antisocial actions
- information triggering fear, terror, or panic in children, including that provided in the form of images or descriptions in a form degrading to human dignity of violent death, illness, suicide, accident or catastrophe, and/or the consequences thereof
- information depicting in the form of images or describing sexual relations between a man and a woman
- information containing obscene words and expressions not included in the list of obscenities

However, despite the declared criteria by which each film receives its age restriction, some exceptional cases are still seen in Russia – for example, in 2013 the fairly harsh and gloomy *The Hobbit: An Unexpected Journey* and *Legenda No. 17 [Legend No. 17],* which contains erotic scenes, both received the fairly lenient rating of 6+. Occasionally, individual projects are released in two versions, as happened with *The Expendables 3*. This measure was taken due to the entry into force on 1 June 2014 of individual clauses of the law relating to smoking.[8] Despite the fact that no additional amendments had been made to Federal Law No. 436-FZ, the distributor apparently decided that in light of the constant attention focused on the topic, the mere desire to expand the age group of the potential audience to include young people over the age of 12 was not enough, and he resorted to 'extreme' measures. The difference between the versions distributed (12+ and 18+) consists of nine scenes in which the characters in the film smoke. In the 12+ version, the cigars actively being used by the characters are edited out. This version of the film also required replacing one joke referencing the presence of a cigar in the scene when the film was dubbed.

Two years after the entry into force of amendments to Federal Law No. 436-FZ which had an impact on film distribution, we can state that the industry has not yet fully adjusted to the new system, and for several items quite a few questions still remain, the answers to which must be reflected in legislation in years to come. There are still no clear regulations on the advertising of films rated 18+, for example, during television programmes and television broadcasts. Individual Russian distributors confirm that clips of such films may not be broadcast on television or radio between 4:00 and 23:00 local time, as stipulated by Article 13 of Federal

[8] Federal Law No. 15-FZ 'On Protecting the Health of Citizens from the Impact of Environmental Tobacco Smoke and the Consequences of Tobacco Use', dated 23 February 2013.

Law No. 436-FZ, 'Additional Requirements for Distributing Information Products by Television and Radio Broadcast'. But in this case, the law speaks exclusively of the information products to which this strict rating is applied, that is, to films with an age restriction of 18+, while trailers used for advertising purposes may not contain any prohibited information. This is also mentioned in Article 13, Clause 5: "When placing advertisements or messages about the distribution by television or radio broadcast of an information product which children are prohibited from viewing, the use of fragments of that information product containing information harmful to the health and/or development of children is not permitted." It is another matter that there would be many films with an 18+ rating that could not be advertised if prohibited items were to be excluded from the clips. Over the past two years, cinemas showing trailers for films before the feature begins have been struggling with a similar problem. Copies of films with a permissive age rating are often accompanied by trailers for films for a more mature audience, and distributors strongly recommend that cinemas show them. Consequently, individual venues have received complaints from audience members unhappy with such packaging of information content. Moreover, Federal Law No. 436-FZ states that if several types of information products for children of various age categories are to be shown, the symbol shown must be that of the information product for children in the oldest age category. One of the latest examples of such a conflict is the showing of a trailer for the Russian comedy *Vypusknoi [Graduation Party]*, with an 18+ rating, before a screening of *Teenage Mutant Ninja Turtles,* which has a rating of 6+. This situation has not yet been resolved, but it is clear that unless the appropriate standards are established within the legislation, the industry will be forced into an extreme position: some players will choose self-censorship, while others will sometimes end up making some fairly absurd decisions.

Another example is a conflict which arose in Novosibirsk Region in spring 2014. Local cinemas which had shown *The Wolf of Wall Street* received notices from the regional administration of the Russian Federal Drug Control Service (FDCS) that they had committed administrative violations under the article of the Russian Code of Administrative Offences on propagandizing or illegally advertising narcotic drugs. The FDCS brought in employees from the Physiology and Fundamental Medicine Research Institute at the Siberian Division of the Russian Academy of Medicine as experts, who concluded that *The Wolf of Wall Street*, which had obtained a distribution licence from the Russian Ministry of Culture and received a 16+ rating, draws attention to drugs and ways to use them, and, moreover, idealizes narcotic substances. The Central District Court of Novosibirsk ruled that the cinemas in question had to pay a fine for propagandizing drugs. In late April, however, the Novosibirsk Regional Court considered an appeal from the cinema chains and handed down a ruling cancelling the fine.

1.1.4. Russian Federation tax and customs codes

One of the oldest tax breaks is that which exempts cinemas from paying value added taxes (VAT), today amounting to 18% of the price of labour or services, on sales of individual tickets or subscriptions, the format of which have been duly approved as a strict accountability reporting form (this applies to screenings of all films, whether or not they have national film status). This rule, along with the rescinding of VAT on labour or services in film production executed or offered by film companies, and on the usage rights (including distribution and screening) of film products that have been designated national films, was also defined by Clause 2.20, Article 149, Part 2 of the Russian Tax Code, confirmed in 2000. But when discussions began in 2012 about the need to introduce quotas for film screenings, a return of VAT on ticket sales for foreign films was considered as one option to support domestic film production and distribution.[9] At the same time, experts recognize that changing the 0% VAT rate will automatically lead to a rise in ticket prices. That could be the reason why the discussion of this initiative has not yet resulted in concrete action.

According to Article 150, Part 2 of the Russian Tax Code, no VAT is applied on the import into Russian Federation territory or other territories under Russian jurisdiction of cinematographic works produced by specialized government organizations for the purpose of international non-commercial exchanges, i.e. for participation in film festivals and other events of that sort. In all other cases, when importing blank audiovisual media into the Russian Federation, the importer must pay a customs duty in the amount of 10% of the customs value of the film. Over the course of many years, this customs rule has been actively discussed in the film community, since it has had an impact on films with a limited distribution, for which this expense was an excessively large burden both in comparison with other expenses and in comparison with income. But now, this problem is almost no longer an issue due to the proliferation of digital film distribution and digital data communications via satellite and the Internet, when the film materials do not go through custom house.

In 2011, the Customs Union Commission lowered the customs duty on the import of digital projectors from 15% to 0%. This measure significantly simplified the transition, for cinema chains first and foremost, to digital exhibition formats. Today, the film community is hoping that proposals will be implemented regarding the customs-free import of digital film cameras (currently the rate is 4%), lenses (15%), and other cinema technology (including sound and screen equipment, seating, glasses for film viewing, servers, etc.).

Meanwhile, since spring 2013, we have been awaiting the adoption of two amendments to the Russian Tax Code. A bill aimed at reducing the amortization period for intangible assets in the film industry and

[9] Increased distribution for Russian films – http://www.kommersant.ru/doc/1891176 (Russian only); Cinemas to possibly be stripped of VAT benefits – http://www.vedomosti.ru/companies/news/4735801/nalog_na_russkoe_kino (Russian only).

optimizing expenses incurred in producing film trailers has been drafted and has passed several stages of approval. Currently, the time period for the useful life of a film is set at 10 years. However, the obsolescence period is three to five years on average, while the existing accounting rules for the revenue and expenditures involved in making and distributing films do not take into account their actual 'lifecycle'. Therefore, this bill would reduce the amortization period of intangible assets in the form of exclusive rights to audiovisual works, including films, to two years. The bill also provides for a profit tax exemption for costs incurred in making trailers. The current version of the Tax Code does not include costs for that type of advertising in the list of unregulated advertising expenses, so at present those costs may be counted as expenses only in an amount of up to 1% of receipts from sales.

In July 2014, the Russian Ministry of Economic Development drafted a Russian Government decree on reducing the regulatory time limit for use of photographic and film equipment from 7–10 years to 3–5 years. This initiative was the result of the sector's active transition to digital equipment, the depreciation period of which is much shorter than that of film equipment. Experts estimate that if this measure is adopted, film exhibitors will be able to save around RUB 180 million per year in profit taxes, with overall savings for all companies in the sector of around RUB 220 million.

In August 2014, the Russian Ministry of Finance put a bill before the government that would add a chapter on sales tax to the Russian Tax Code. According to media reports[10], the document essentially repeated the rules on sales tax that were in effect in Russia before the tax was abolished in 2004. The regions were allowed to set their own tax rate, up to a limit of 3%. It was assumed that this initiative would enter into force on 1 January 2015 and would not affect the film industry, since taxes would not be collected, among other things, on services related to culture and the arts. Whatever the case, on 20 September, the initiative regarding the return of the sales tax was rejected and transformed into a proposal to offer the regions the ability to charge businesses fees for the right to engage in commerce and to provide food and beverage and taxi services, and to charge individual citizens tourism or resort fees.[11] Later, it was reported that Vladimir Putin supported provisions regarding a sales tax on Russian software.[12] The government then decided against this initiative, but the Ministry of Communications and Mass Media began examining the option of withdrawing VAT relief for developers.[13] If such initiatives come into effect, this may impact the cost of automating certain services at Russian cinemas.

[10]Finance Ministry sends to Government draft bill introducing sales tax – http://rbcdaily.ru/economy/562949992137733 (Russian only).

[11] Dmitry Medvedev confirms White House rejection of sales tax – http://www.kommersant.ru/doc/2572038 (Russian only).

[12] President supports software sales tax – http://www.kommersant.ru/doc/2574580 (Russian only).

[13] Government decides against introduction of special 10% sales tax on software – http://www.tv100.ru/news/v-pravitelstve-otkazalis-ot-idei-vvesti-specialnyj-nalog-s-prodazh-programmnogo-obespecheniya-v-razmere-10-101701/ (Russian only).

1.1.5. Federal Law 'On Insurance Contributions to the Russian Federation Pension Fund, Russian Federation Social Insurance Fund, and the Federal Mandatory Health Insurance Fund'

In August 2014, the Russian Government supported a bill drafted by the Ministry of Economic Development in 2013, amending Federal Law No. 212-FZ 'On Insurance Contributions to the Russian Federation Pension Fund, Russian Federation Social Insurance Fund, and the Federal Mandatory Health Insurance Fund', dated 24 July 2009. According to those amendments, the 2015–2017 budget will most likely see a discount rate applied to social security contributions for Russian organizations involved in producing animated audiovisual products and/or rendering services (carrying out work) to create them. The film industry has approached officials with such a proposal on a number of occasions, arguing that the basic rate of 30% which is currently applied to most companies makes the production of animated films unprofitable and reduces the sector's investment potential. In the end, the Ministry of Economic Development agreed that the best option would be to set a rate of 14% in the 2013–2017 period, 21% in 2018, and 28% in 2019. Currently, similar discounts are enjoyed by IT companies, media outlets, several non-commercial organizations, and organizations working with the disabled. For now, the bill will formally make a difference to the lives of animators and similar individuals for the 2015–2017 period only. Experts believe, however, that there is a good chance that the discount regime will be retained even after 2017.[14]

1.1.6. Initiatives not implemented

Since 2012, there have been ongoing discussions in the Russian cinema world about the possibility of introducing protective measures with respect to domestic film production. Work began on drafting a federal law establishing a minimum number of national films as a proportion of total screenings at each cinema between 12:00 and 24:00 local time. The concept later changed form, and one of the most recent proposals was the initiative of United Russia State Duma Deputy Robert Schlegel, which would have required that domestic films in Russian distribution make up at least 50% of all screenings in each individual cinema. But in 2014, just as in 2012, the film community was categorically opposed to this kind of approach to promoting domestic production on the national market. The opponents' chief argument was the fact that the Russian film industry is not in a position to provide such a volume of local films. Whatever the case, at a February 2014 conference focusing on the work done in 2013, Russian Culture Minister Vladimir Medinsky responded that he still considered state regulation of the film distribution market to be necessary. In the summer, he said that if the figures for 2014

[14] Based on the article ' Taxes Reduced for Cartoon Characters', published in *Kommersant* No. 145, 16 August 2014 (http://www.kommersant.ru/doc/2547008 – Russian only).

demonstrated an increase in the share of Russian films, then the Ministry would not return to the question of introducing quotas.

On 16 September 2014, at a meeting of the expert council of the All-Russia People's Front, director Yuri Kara delivered a proposal to ban the exhibition of American films in Russian cinemas until the anti-Russian sanctions connected to the conflict in Ukraine are lifted. Director Stanislav Govorukhin, the Chairman of the Culture Committee and the Co-Chairman of the All-Russia People's Front, believes that the showing of American films in Russian cinemas should be restricted, while increasing the share in distribution of films shot in other countries. The Russian Culture Ministry spoke out against the idea of a ban on American films in Russia. "The Ministry of Culture believes that the sanctions are not operating on a cultural level, and therefore it does not make sense to ban anything. Sanctions are effectively a remnant of the past. Measures to support Russian cinema may be necessary, but we need to approach that question very cautiously, taking into account opinions across the film community and the opinions of experts in that sector", the Ministry's press service later stated.[15] Whatever the situation, debates are continuing, which means that it is still too early to discount variations on quota initiatives.

In February 2013, the LDPR's Dmitry Litvintsev, a member of the Duma's Committee for Culture, came out with an initiative to ban the production of foreign films on Russian Federation territory. Furthermore, Litvintsev considered it necessary to introduce requirements relating to investment and the composition of the cast and crew for joint Russian–foreign productions (requiring at least 40% of creators and 60% of actors to hold Russian citizenship). That draft legislation has not yet advanced any further.

In July 2013, LDPR Duma Deputy Valery Seleznev proposed amending the law on advertising to almost completely ban showing commercial advertisements for products and services before film screenings. According to Mr. Seleznev, "The showing of advertisements, except for public interest advertisements and film advertisements, before the start of a film screening shall not be permitted."[16] Explanatory comments attached to the bill emphasized that: "Commercial advertising evokes displeasure. Not only are people forced to watch these advertisements in light of the fact that, as they wait for the film to start, all their attention is focused on the screen; worse, they have to pay to watch them, since they pay to get into the cinema. Such a situation is intolerable and demands intervention. Many citizens, hoping to avoid the dominance of advertising on television, purchase satellite and digital channel packages, since those do not show commercials." Thus far, however, that initiative has not taken shape in any serious way, and so, by all appearances, cinemas are not threatened with the introduction of such measures any time soon.

[15] Russian Culture Ministry against a ban on Russian distribution of American films – http://itar-tass.com/kultura/1449245 (Russian only).

[16] LDPR Deputy introduces bill in Duma to ban commercial advertising in cinemas – http://itar-tass.com/kultura/628567 (Russian only).

Such proposals invariably send ripples of anxiety through the film community, and give rise to numerous heated discussions in the media. However, barely a single expert ever appears able to state with any certainty which of these initiatives pose a tangible threat to film distribution and are genuinely in the works, and which are merely announced for discussion, only to later sink without trace.

Perhaps the only exception to this is the issue surrounding quotas for international films in Russian distribution. The Ministry of Culture stated in December 2014 that this issue may reappear on the agenda in January 2015, when the figures for Russian distribution in 2014 are reviewed. According to preliminary data, domestic producers may have accounted for 17–18% of box office earnings, which will represent a decrease compared to 2013 (18.7%). That would mean that the growth in the share of Russian films anticipated by the Ministry of Culture did not come to pass, which would give officials grounds to demand the introduction of quotas.[17]

1.2. The activities of federal authorities in cinema

1.2.1. The Russian Federation Ministry of Culture

Administration by the Ministry

Russian Federation Government Decree No. 590 dated 20 July 2011 designated the Russian Ministry of Culture as the federal agency tasked with developing and implementing state policy, as well as the legal and regulatory framework, for the Russian film industry. On 21 May 2012, Vladimir Medinsky was appointed Russian Minister of Culture by order of the President. He replaced Alexander Avdeev, who had held the post since 2008. As is common in such circumstances, with the arrival of the new Minister, changes were also made to the rest of the team, and it took some time for the new staff to settle into post. Later, industry professionals came to see Medinsky as closely associated with initiatives to introduce quotas on foreign cinema, and with active efforts to implement priority areas for cultural development. These were formulated in a ministerial report covering 2013 activities as "the development and protection of Russian cinema arts, while endowing the developmental foundations of the national film industry with the best traditions of the domestic schools of cinema and facilitating the use of cinema as a tool for exerting a positive influence on the mass consciousness, the education of the younger generation in the spirit of higher morality, humanism, patriotism, and tolerance."

On the basis of Order No. 892 of the Ministry of Culture of the Russian Federation, dated 16 August 2012, the Ministry of Culture includes a Department of Cinematography. The Department consists of five divisions: a division for cooperation with cinema organizations, a division for maintaining the state film register, a division for state support

[17] Ksenia Boletskaya, 'Nothing Standing in the Way of the Hobbit' // Vedomosti, 11 December 2014

for the production of documentaries and animated Russian films, and a division for state support for the promotion and distribution of Russian films. Vyacheslav Telnov was appointed Head of the Department as far back as 2011, even before Medinsky's arrival. At the end of 2013, the Department's activities came under the direct supervision of the Minister of Culture.

Distribution certificates and national film status

Aside from facilitating state support for cinema organizations and drafting regulations, the Ministry is also authorized to issue distribution certificates for films, issue national film certificates, and maintain the joint State Registry of Cinema and Video Films. It serves as the state customer for state-funded, special-purpose programmes, including those supporting the production and distribution of national films.

In 2012, the Ministry issued 3,611 distribution certificates (1,726 for Russian audiovisual works in all types of video formats and 1,885 for foreign projects). In 2013, that number fell to 3,144 distribution certificates (1,575 for Russian audiovisual productions and 1,569 for foreign works). However, the number of national film certificates issued for production projects being launched, as well as for finished film and motion picture productions from past years in film archive collections at the country's leading studios, remained practically the same: 2,674 certificates in 2012 versus 2,650 in 2013.

Budgetary funds for the support of cinema

For many years, the Russian Ministry of Culture alone provided state funding to the film sector, but since 2010, it has been sharing that responsibility with the Federal Fund for Social and Economic Support to National Cinematography (the Cinema Fund). The jurisdictional boundaries between those two organizations have changed over the last four years. By the end of 2013, the Ministry of Culture reported that their activities had finally been clearly delineated. In accordance with Russian Government Resolution No. 1397, dated 25 December 2012, organizations producing and distributing films for children and young people, debut, art-house and experimental national feature films, film periodicals, documentary and popular science films, and animated national films continue to receive state support from the Ministry of Culture. On the basis of the same decree, the Ministry provides subsidies to the Cinema Fund, taken from the funds allocated for cinema in the Russian federal budget.

The amount of state funds allocated to support cinema as a whole has varied in a noticeable cycle over the past decade. While in the 2004–2007 period, there was a consistent increase in the volume of financing – which grew in line with inflation – the following years saw a significant increase in state support, much as had happened in the 2002–2003 period. From 2007 to 2012, state support grew by more than a factor of 2. In 2012, the total funds allocated to cinema, as stated in the relevant section of the federal budget, amounted to RUB 6.4 billion (up 38.4% compared to 2011). Of that, RUB 5.9 billion was designated for cultural institutions and events. In 2013, the volume of state support grew by another 6%, to a total of RUB 6.8 billion. The budget designated RUB 6.1 billion for cultural institutions and events. A reduction in state funding has been seen during 2014. The budget fixes the total funds allocated for cinema at RUB 6.07 billion. At the same time, some changes have taken place in the process for distributing budgetary allocations: distribution has become more precise and has begun to distinguish between cultural institutions and events.

One important target line item in the culture area, other than institutions and events, is the implementation of the Federal Target Programme (FTP) entitled Russian Culture (2012–2018).

Table 1. Volume of funding for FTP Russian Culture (2012–2018)

Development and support of cinema (millions of roubles)									
	2012–2018	Including							Expected results
		2012	2013	2014	2015	2016	2017	2018	
Support for Russian producers of cultural goods in the area of cinema	3618.3	462	462	462	596	662.1	512.1	462.1	Creating at least 70 feature (debut, children's, art-house), 321 non-feature, and 115 animated national films during the period 2012–2018
Including the federal budget – Russian Ministry of Culture	2727.3	360	360	342	461	512.1	362.1	312.1	
Including extra-budgetary sources	891	102	102	102	135	150	150	150	
Training staff for contemporary Russian cinema work – federal budget (Russian Ministry of Culture)	145	5	15.5	15.5	25	28	28	28	Training specialists urgently required by the film industry for the development of popular film production. Within seven years, 100 screenwriters, 50 directors, 80 animators, and 350 distributors will enter the cinema market
Expand access to cinema products and services for the Russian population	1280	130	130	130	260	260	210	160	Annually conduct at least 30 Russian and international film festivals in the Russian regions. Provide state support
Including the federal budget – Russian Ministry of Culture	950	100	100	95	200	200	150	100	

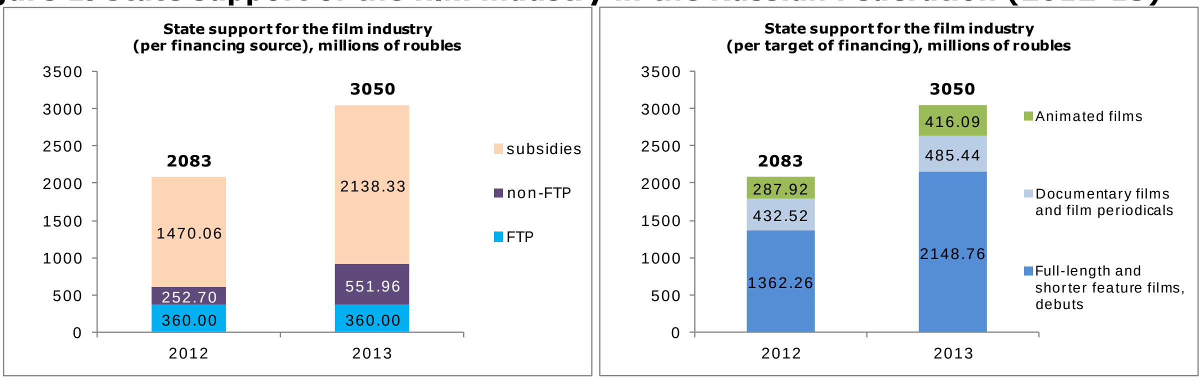
Development and support of cinema (millions of roubles)									
	2012–2018	Including							Expected results
		2012	2013	2014	2015	2016	2017	2018	
Including extra-budgetary sources	330	30	30	30	60	60	60	60	during the 2012–2018 period for the distribution of 104 full-length feature and animated national films
Support the promotion of Russian cinema in the global market	467	55	55	55	78	98	68	58	Promote domestic films in more overseas markets, creating a positive image for Russia abroad. Conduct 175 non-commercial film events abroad during the period 2012-2018. Participate in international film festivals for commercial promotion of domestic cinema in at least 10 countries every year
Including the federal budget – Russian Ministry of Culture	350	40	40	38	60	80	50	40	
Including extra-budgetary sources	117	15	15	15	18	18	18	18	
Total per section	5510.3	652	662.5	662.5	959	1048.1	818.1	708.1	
Including federal budget – Russian Culture Ministry	4172.3	505	515.5	515.5	746	820.1	590.1	480.1	
Including extra-budgetary sources	1338	147	147	147	213	228	228	228	

Source: Russian Federation Ministry of Culture

State financing of film production

The main task of the Ministry of Culture in the area of film has traditionally been increasing production of national films and ensuring they have a larger share of screen time in cinemas.

Figure 1. State support of the film industry in the Russian Federation (2012-13)



Source: Russian Federation Ministry of Culture

Table 2. Film and video products released, 2012–2013

Name	Number of films (change from previous year)	
	in 2012	in 2013
Feature films	35 (-16)	40 (+5)
Including full-length films	*33 (-6)*	*39 (+6)*
Including film periodicals (such as Eralash*)*	*2 (-10)*	*1 (-1)*
Documentary films (total)	447 (-36)	397 (-50)
Including full-length films	*47 (+12)*	*35 (-12)*
Including short films and video periodicals	*400 (-48)*	*362 (-38)*
Animated films (total)	130 (+24)	85 (-45)
Including full-length films	*1 (-1)*	*4 (+3)*
Including short cinema and videos	*129 (+25)*	*81 (-48)*
TOTAL	**612 (-28)**	**521 (-91)**
Including full-length films	***81 (-5)***	***77 (-4)***
Including short films	***531 (-23)***	***444 (-87)***

Source: Russian Federation Ministry of Culture

Department of Cinematography data show that from 2011 to 2013, there was a significant decrease in the number of finished cinema projects financed by the Ministry of Culture. But it is evident that the falling numbers mostly concerned projects not intended for wide distribution – that is, short and documentary films. The trend, despite the declared division of authority between the Ministry and the Cinema Fund (with the latter responsible for commercial projects), fits with the objective of "creating the conditions necessary to improve the quality of film production" (as the numbers of projects filmed decreased, the amount of resources for film production, on the contrary, grew). Furthermore, this trend also satisfies the need to create cinematic works in popular genres, applying the latest techniques and production technologies, which in turn should lead to an increase in loyalty on the part of Russian audiences to national products and thus a surge in demand for such products. And it is this last point (specifically, the share of receipts and audience numbers earned by domestic films in wide distribution) that has hounded officials for the past five years, if not longer. In response, they have held interminable discussions about quotas as a viable means to meet another Ministry objective, which is declared in reports on Ministry activities for 2012 and 2013 as "creating a preference for screening domestic films".

With that said, in 2013 the agency also considered the need to make documentary films more popular. This led to the drafting of the Russian Federation Government Decree on Amending the Rules for Providing Subsidies from the Federal Budget in Support of Cinema, according to which companies receiving funds to produce documentaries would be obliged to "ensure the broadcast of the finished documentary film work on a national, must-carry, and publicly accessible television channel or a television channel which is accessible to over half of the regions of the Russian Federation." The initiative provoked an extremely negative reaction among the documentary filmmaker community, which argued that its goals and objectives differed from that of modern Russian television, that its target audiences were different, and that implementing that idea would make documentary filmmakers dependent on channel managers.[18] In the end, the proposal was transformed into a requirement to "ensure the public screening of the finished documentary film work on a national or regional, must-carry, and publicly accessible television channel, and/or a satellite television network, the Internet, and/or in cinemas or film clubs, and/or participation in international or Russian film festivals."

Debut directors were responsible for 13 of the entertainment projects in 2012, in accordance with the stated priority to encourage the influx of new creative talent in Russian filmmaking. Eight pictures fell into the category of films for children and young people. Interestingly enough, they included projects like *The Daughter [Doch]* (directed by Aleksandr Kasatkin and Natalia Nazarova), for example, which later received a distribution rating of 16+, and *The Mine (Shakhta)* (Directed by Nurbek Egen), which received an 18+ age rating. In 2013, out of 40 feature films, nine debuts and seven children's projects were completed.

Pitch sessions

In 2013, for the first time, the Ministry of Culture tried out a procedure whereby projects seeking government funds for production were pitched during live sessions. In these pitch sessions, filmmakers were given a brief time slot to discuss their film, screen materials at various stages of readiness (presentations, trailers, excerpts), and answer questions. Participants were grouped as follows: special documentary projects (out of 21 funding applications, six were finally selected), documentary films (203 of 764 were selected), feature film debuts (10 of 44), children's films (10 of 39), animated films (54 children's and 15 art-house works out of a total of 122), art-house cinema (19 of 68 – 12 in the pre-production phase, four in the editing phase, and another three as backups), as well as distribution subsidies (six of 12). Almost immediately after this series of open presentations, the agency declared the new system to be effective. In August 2013, Vladimir Medinsky stated, "Overall, everything went well. Previously, decisions were made behind closed doors by a bureaucrat – it was 'your application was accepted' or 'your application was denied', with no comment, no explanation, nothing. We decided to try to agree on clear conditions and conduct the process with complete transparency – the pitches were broadcast live on the Internet and some of them on the Russia-24 channel. Notably, the upside of doing things publically surprised us: there was a total absence of scandal."[19] However, there was at least one controversial case that and caused the film community some agitation. When the art-house projects selected for 2013 Ministry of Culture financing were announced, director Aleksandr Mindadze's film *Lovely Hans, Dear Peter*, produced by

[18] See the open discussion on the Unified Portal for information about draft regulations being developed by federal executive bodies and the results of public discussion – http://regulation.gov.ru/project/11543.html?point=view_project&stage=2&stage_id=7227 (Russian only).

[19] From an interview with *Kommersant*, 29 August 2013 – http://www.kommersant.ru/doc/2265995 (Russian only).

Passenger Studio, was not on the final list. Members of the advisory board did declare the film "one of the most vivid and expressive of those pitched during the live project presentations and certainly worthy of state financial support", as stated in the special opinion attached to the session's minutes. The reason given for declining state funding for the project was that it did not pass an analysis by the military history and social psychology advisory boards, the makeup of which — unlike other advisory boards dedicated to other specific areas – is not divulged.[20] Cinematography Department Head Vyacheslav Telnov explained: "This was a group decision, not the personal decision of Telnov or Medinsky. The experts examine projects for falsification of history. Everything is done with one date in mind: the 70-year anniversary of victory in World War II. And this film perhaps adopts not quite the perspective that World War II veterans would expect." He added that the military history and social psychology boards held their sessions in parallel with the advisory board on feature films. Telnov said that the experts studied not just Mindadze's project, but all other applicants for state support which had a history theme. "The first board consists of historians, and the other comprises social psychologists. Only 14 people sit on the first board, and all the experts have advanced degrees in history."[21] The incident was later rectified: the required changes were made to the script and the film was recommended for state funding after all.

At a February 2014 press conference, Vladimir Medinsky reiterated that he considers the pitching system effective[22], and in the summer of 2014 public project presentations started again, this time truly without incident. After considering the projects, the feature film advisory board recommended that 228 projects and the organizations representing them be added to the list of cinema organizations receiving subsidies in 2014. Another 48 projects were placed on a backup list. There are plans to allot RUB 400 million this year for feature films. Filmmakers submitted 80 applications to take part in those pitching sessions, and 41 scripts were selected for in-person presentations. The feature film advisory board approved 12 art-house and experimental film projects (with 16 as backups). The agency allotted RUB 140 million for the production of national films for children. After the public presentations, out of 34 applicants, four projects were judged worthy of state funding, with another four selected as backups. RUB 373 million has been allotted to support animation. The Ministry of Culture received 126 applications overall. The advisory board for animation chose 68 projects, of which 23 are art-house pictures and 45 are for children.

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[20] Advisory board members in 2013: http://www.proficinema.ru/news/detail.php?ID=143209. Advisory board members in 2014: http://xn--j1adnq.xn--p1ai/dokumenty/order/detail.php?ID=449061 (both Russian only).
[21] Culture Ministry rejects Mindadze project due to historical inaccuracy – http://ria.ru/culture/20130814/956263279.html (Russian only).
[22] Vladimir Medinsky discusses results of work to support Russian cinematography – http://mkrf.ru/press-tsentr/novosti/ministerstvo/detail.php?ID=461815&sphrase_id=3122868 (Russian only).

Distribution support

The Ministry of Culture supports film distribution in several ways. First, there are direct subsidies for releasing and promoting national films. For instance, in 2012, RUB 38.35 million was spent for these purposes, while in 2013 that number was RUB 35.0 million.

Second, the agency supports events "which aim to promote Russian films", the list of which traditionally includes, for example, the Russian International Film Market (conducted three times per year), the Kino Expo International Convention and Trade Fair, national awards ceremonies including the Golden Eagle and Nika awards, and other events. In 2012, RUB 45.0 million was allotted for those purposes, and RUB 22.0 million in 2013.

Film festivals are financed separately (RUB 76.39 million in 2012 and RUB 244.0 million in 2013), with the Moscow International Film Festival supported in a separate category (RUB 120.0 million in 2012 and RUB 115.0 million in 2013). Events promoting national cinema abroad receive additional subsidies, as does the participation of Russian filmmakers in international film exhibitions.

Popularizing cinema

Aside from its regular activities, the Ministry of Culture has engaged in popularizing world cinema classics among Russian citizens, and especially among schoolchildren. In 2012, film director Nikita Mikhalkov proposed introducing lessons in secondary schools during which children would study one hundred of the best films ever made. Mikhalkov's idea was supported by the Minister of Culture, who announced that his Ministry would soon develop a process for selecting films for a school subject called '100 Best Films'. The list of possible films was subjected to public critique, and was reworked several times. The list is now online, on the Kultura.rf portal.[23] In August 2014, the Ministry of Culture used the same portal to release a list of 100 foreign film classics recommended for viewing by Russian school children.[24] A total of 35 films are available for online viewing. These are films that have come into the public domain in the Russian Federation under current legislation, and which therefore have no restrictions on access for viewing. For the other 65 films, links are provided to resources offering paid viewing.

Finally, RUB 6.64 million (2012) and RUB 12.55 million (2013) were allocated to provide services for preparing and placing materials with a cinema theme in print publications – in other words, for supporting media outlets in the sector, which have traditionally included publications such as *Kinoprotsess*, *Mir Tekhniki Kino*, *Kinovedcheskie Zapiski, Iskusstvo Kino*, *Kinomechanic*, *Seans*, and others.

[23] 100 films for school children – http://culture.ru/cinema/child-100
[24] Foreign cinema classics – http://culture.ru/cinema/foreign-classics

1.2.2. Federal Fund for Social and Economic Support to National Cinematography

History

The non-commercial organization known in full as the Federal Fund for Social and Economic Support to National Cinematography, officially abbreviated to the Cinema Fund, was created in 1994 by the Russian Federation Committee for Cinematography in the run-up to the centenary of Russian and world cinema. On 16 January 1995, the Russian Federation Government issued a decree, according to which the newly created Fund was tasked with carrying out socio-economic programmes within the Russian film industry, providing financial support for Russian film production and distribution and for film industry employees, and attracting financing from Russian and foreign investors for the production and distribution of Russian films. But at that time, the organization did not carry much weight in the industry.

In November 2009, a meeting of the Government Council on the Development of the Russian Film Industry created a plan which included changes to the very principles underlying the allocation of state support. In order to implement these reforms, it became necessary to strengthen the Fund's position, making it responsible for distributing funds to specific filmmakers to create projects that were significant, primarily from the point of view of commercial potential. In the end, Russian Government Decree No. 1215, 'On the Federal Fund for Social and Economic Support to National Cinematography', dated 31 December 2009, confirmed a new version of the Fund's Charter, significantly expanding its purview. According to this document, the main tasks of the Fund are:

- to support social and economic programmes in the field of Russian cinema
- to provide financial support to organizations which produce, distribute, exhibit, and promote national films
- to attract financing from Russian and foreign investors for the production, distribution, and exhibition of national films
- to accumulate financial resources for the development of Russian cinema, including film production, the distribution, exhibition, and promotion of national films, and the organization of non-profit film events
- to support film experts, specialists, and entrepreneurs who work in the film industry

The mission of the Fund is primarily to support Russian cinema, to shore up the country's film production infrastructure, to improve the quality and hence competitiveness of Russian films, and to popularize those films within the Russian Federation and abroad. In pursuance of this mission, the Fund subsidizes and finances, in the form of loans, the creation and promotion of high-quality national films for mass audiences.

Cinema Fund activities, 2010–2012

According to initial plans, which were later somewhat amended, the Cinema Fund was supposed to declare certain production companies to be leaders in the Russian film industry and issue identical sums of money (RUB 250 million) to those studios for the creation of full-length feature films in collaboration with other, smaller companies. In doing so, the Fund would reinforce the film production infrastructure. Former Fund Executive Director Sergei Tolstikov said, "We definitely need big companies on the market that plan out their activities and work systematically. They have packages of projects. When they have these qualities, these are the structural elements of the system."[25] In March 2010, the Cinema Fund's Board of Trustees identified eight such leading companies. Central Partnership, CTB Film Company, Studio TRITE, Direktsiya Kino (a subsidiary of Channel One), Bazelevs, Art Pictures, Rekun, and Igor Tolstunov Production Company (PROFIT) all made it onto the list. The list of industry leaders was determined on the basis of a number of criteria, including the popularity of the organization's projects, international festival awards, box office earnings, and television ratings.

In the early days of the programme, the method for selecting the leaders of the Russian film industry caused some passionate debate among film industry insiders: this category had no legal definition, and the criteria used to declare production companies as industry leaders seemed subjective to many. Eventually, the Federal Antimonopoly Service of Russia (FAS) ruled that the industry leader selection process violated antimonopoly legislation. In 2010, in order to overcome this hurdle, the Russian Government established criteria for determining 'Russian film production leaders'.[26] These include:

- audience evaluation of titles released by the cinema organization, determined by cinema attendance and television ratings
- professional evaluation of titles released by the cinema organization, determined by film festival awards and industry honours received by the organization
- length of time the cinema organization has been active on the market and the number of titles it has released, as well as their circulation

The method for compiling the domestic film company ratings for 2011 was adjusted, and as a result, the time period for which maximum cinema attendance and television ratings figures were compiled was shortened from ten to five years, and the assessment came to focus on cinema organizations which served directly as film producers, rather than on film companies which doubled as production houses, as it had in 2010. By applying this new methodology, the list of Russian film industry leaders eligible to receive Cinema Fund financing was cut from eight to seven:

[25] From an interview published in the electronic preview issue of *Booker's Bulletin*, No. 22 (435), 8 June 2012.

[26] See Clause 7 of the 2011 Rules for Extending Federal Subsidies to Support Cinema, approved by Russian Government Resolution No. 1212, dated 31 December 2010.

Rekun Cinema, which had lost Valeriy Todorovskiy, the author of its most popular films *(Hipsters, Kandahar, Piranha [Okhota na Piranyu], and Country of the Deaf [Strana glukhikh])*, fell to the tenth spot on the list. In addition, instead of Bazelevs, Timur Bekmambetov's projects were now financed by TABBAK.

In 2012, the process for selecting Russian film industry leaders was further adjusted and approved by Cinema Fund Decree No. 9, dated 28 April 2012. In part, the decree establishes that the 'cinema attendance' figures used to compile the Russian film industry leader rating must be drawn from the period beginning 1 January 2007 and ending 31 December 2011. Films are ranked in decreasing order based on attendance. First place receives 100 points; second place receives 90 points; and so forth, in ten-point increments. Each year's rating is based on the ten releases with the highest attendance. Figures are drawn from the Alliance of Independent Film Distribution Companies (ANKO), publications such as *Film Business Today* magazine and *Booker's Bulletin*, Rentrak, and the Central Data Processing Centre of the Ministry of Culture.

The 'television ratings' figures are also drawn from the same time period. Films with past theatrical distribution in Russia, which are currently being broadcast on television, are ranked in decreasing order based on television ratings. First place receives 50 points; second place receives 45 points; and so forth, in five-point increments. Each year's rating is based on the ten releases with the highest television ratings. Figures are drawn from TNS Russia data.

The 'professional evaluation of films released by the cinema organization' category consists of two independent indicators: 'film festival awards' and 'professional honours'. The evaluation period for each of these indicators is the same as for the other categories. In the 'film festival awards' category, organizations are awarded 100 points for receiving the top festival award, and 60 points for Best Director, Best Screenplay, Best Cinematography, Best Actor, and Best Actress awards. Points are also awarded for inclusion in the In Competition programmes of the Cannes Festival, Berlin Film Festival, and Venice Film Festival (30 points); for the top prize at the Moscow International Film Festival (50 points); and for inclusion in the Moscow Film Festival's In Competition programme (30 points). In the 'professional honours' category, Russian Oscars nominees receive 80 points, and Russian winners of the Oscar for Best Foreign Language Film receive 100 points; meanwhile, nominees for Russia's Golden Eagle and Nika awards receive 30 points, and winners receive 50 points. Figures are drawn from official festival and award websites.

The 'years on the market, number of releases, and circulation' category is divided into three indicators: 'years on the market', 'total number of releases and their circulation', and 'number of releases which received points in the "theatrical release attendance", "television ratings", and "professional evaluation, including film festival awards and professional honours" categories and their circulation'.

The first of these indicators is calculated for the period beginning with the state registration of the legal entity, and there is no defined end time.

Figures are drawn from the Unified State Register of Legal Entities. Organizations are awarded points based on the number of years they have been active in the market: 50 points for over ten years, 40 points for five to ten years, and 30 points for less than five years. The second indicator is calculated for the period of 1 January 2002 to 31 December 2011. Organizations receive 50 points for producing over ten titles, 40 points for producing six to ten titles, and 30 points for producing five titles or fewer. The rating takes into account only those films which have more than two distribution copies in circulation. Figures are drawn from *Film Business Today*, *Booker's Bulletin*, and Rentrak. The decree sets out no specific time period for the third indicator, but it obviously must coincide with the period established for the attendance and television ratings criteria, as well as the film festival and professional honours criteria. Sources for the figures used in the rating also coincide accordingly. If a cinema organization has produced fewer than three films which have received points in the audience evaluation (attendance and television ratings) and professional evaluation (festival awards and professional honours) categories, it cannot be included on the list of Russian film industry leaders.

In June 2012, when the Russian Cinema Fund's Board of Trustees defined the specific parameters of its budget, it also announced the new list of Russian film industry leaders. Previously declared major Russian studios Art Pictures, Direktsiya Kino, CTB, Studio TRITE, TABBAK, and Central Partnership continued to receive state financing. PROFIT gave way to Real-Dakota, and the group was joined by three new leaders known primarily for their festival successes: Koktebel Film Company, Non-Stop Production, and Rock Films. "There are [...] companies that put out festival-grade cinema with unique artistic meaning. They also have packages of projects. The Ministry of Culture told us back in 2011 that we need to support these companies in some way. Now we have found a way to do so", commented Sergei Tolstikov on the decision.[27] "The resources there are smaller, naturally, but they do exist, so that these companies can produce bigger projects, and not always be stuck with a budget around USD 1–1.5 million. And we should be stimulating those companies so that they can diversify their projects. If they want to move into genre cinema, they should have that opportunity. When you give money to companies like that, it's possible they might look at their project in a new light, and take a step towards more popular forms of cinema. So the fact that these three companies were selected is a very big deal. It means the potential to cross over from one sphere of activity into another." Overall, the leading studios received RUB 2.24 billion in subsidies in 2012, out of the RUB 3.8 billion the Fund had at its disposal.

Also in 2012, the payback mechanism was more clearly delineated. This had been discussed as an important issue as early as 2009, at the first session of the Government Council, and it was later reinforced in the updated Cinema Fund charter. For Russian film industry leaders, the following amounts were confirmed for deductions from revenue received

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[27] From an interview published in the electronic preview issue of *Booker's Bulletin*, No. 22 (435), 8 June 2012.

from distribution and other forms of use of each film created with the Fund's support (in proportion to the share it contributed towards the film's financing)[28]:

- up to 25% for subsidized comedies, animated features, and international co-productions
- 5% for other projects
- at least 50% in cases of subsidized distribution

Specific deductions were to be defined in individual agreements at the discretion of the Cinema Fund's Board of Trustees. Agreements with cinema organizations receiving support from the Cinema Fund established the following procedure for determining the deduction: first, the Fund's share in the project is determined by dividing the subsidy amount by the film's total production and distribution budget. The resulting share is multiplied by the amount of revenue the cinema organization receives from theatrical distribution and other uses of subsidized films. Theatrical release revenue is defined as the difference between gross box office receipts, the cinema's share of the revenue, and the share taken by the distribution company (distributor). Money earned from the sale of DVD distribution rights; broadcast, satellite, and cable rights; Internet rights; and so on is then added to the revenue figure. The baseline repayment amount is determined by multiplying total revenue received from distribution and other uses of the film by the Cinema Fund's share in the budget. This baseline is then used to determine the percentage differentiated depending on the film's type, subject matter, and financing channel. Specific repayment conditions (such as a particular relationship with the distribution company) are defined in each individual agreement based on analysis by the Cinema Fund's Financial and Production Department.

Cinema Fund structure and activities, 2013–2014

An audit of Cinema Fund activities by the Russian Federation Accounts Chamber, published in late December 2012, brought about the start of the latest attempts to redesign the Fund's status and operations. From 2010 to 2012, the Fund received over RUB 7 billion from the federal budget to support film, RUB 3.89 billion of which it invested in producing and distributing Russian films in 2011, and RUB 1.4 billion in 2011. In 2011, films supported by the Cinema Fund brought in RUB 4.1 billion, or 72.6% of box office earnings for Russian films, but returned less than RUB 100 million to the Fund. "Not much was returned", admitted the Fund's Executive Director Sergei Tolstikov, but he also noted that art can and must be supported with no expectation of compensation, while business "requires more precise goal-setting, so producers need to return more, and then it will be clear which of them are most efficient." On average, the

[28] See Clause 22 of the Procedure and Terms for providing funds for financing and/or compensation for expenses connected with the production, distribution, screening, and promotion of full-length feature and animated national films by leaders of the Russian film industry (confirmed by Cinema Fund Order No. 33, dated 9 June 2012).

Accounts Chamber calculated, 2% was returned. That, the agency wrote, is "incommensurate" with the total amount the government spent on supporting film production and distribution.[29] Soon afterwards, the Ministry of Culture supported demands by Vladislav Surkov, at the time still Deputy Prime Minister, to divide up the functions of the Fund and the Ministry. Surkov expressed that idea in November 2012 at a meeting on optimizing state support for Russian cinema. Those at the meeting discussed the falling share of screen time enjoyed by Russian cinema, and they drew connections between that fact and, first and foremost, ineffective work on the part of the Fund. As a result, on 29 January 2013, Sergei Tolstikov left the post of Executive Director. Appointed to replace him was Anton Malyshev, previously an aide to the President's Plenipotentiary Representative to the Central Federal District, who had produced several Russian films and was therefore well acquainted with the film industry. In February, the Board of Trustees also underwent some cardinal changes. Only Nikita Mikhalkov remained in his post. Presidential advisor Vladimir Tolstoy came in to head the Fund's central body. Coming to join Mikhalkov on the Board were three people directly involved in production: directors Stanislav Govorukhin, Karen Shakhnazarov, and Alexei Popogrebsky. The rest of the Board of Trustees was filled by high-ranking federal officials. In 2014, the Board changed again. In May, Prime Minister Dmitry Medvedev signed a Russian Federation Government Order appointing the following people to the Board: Pavel Zenkovich, Head of the Presidential Administration for Public Projects; Oleg Dobrodeev, General Director of Russia Television and Radio (VGTRK); Alexey Lavrov, Deputy Finance Minister; Mikhail Myagkov, Deputy Executive Director of the national Russian Military History Society; and Petr Skorospelov, Director of the Russian Federation Government's Department of Culture. Former Deputy Culture Minister Ivan Demidov, former Deputy Finance Minister Mikhail Kotyukov, and former Russian Federation Government Department of Culture Director Sergei Perov were all removed from the Board.

Russian Federation Government Order No. 1397 'On Rules for Providing Subsidies from the Federal Budget in Support of Cinema', dated 25 December 2012, defined the process for cooperation between the Ministry of Culture and the Cinema Fund and the plan for the allocation of subsidies by the first body to the second. As a result, in 2013 and 2014, the Ministry of Culture signed special agreements to subsidize the Fund, which is a non-profit organization, with RUB 3 billion of the total amount of funds allotted in the federal budget for cinema. Of that amount, in 2013 RUB 1.5 billion went to financing and/or reimbursing expenses connected with film production by the leading companies in the Russian film industry, through grants. In 2014, that amount was RUB 1.2 billion. In 2013, the Fund was able to provide RUB 400 million in grants to other cinema organizations and RUB 500 million in 2014. Funds for financing production, which are provided in the form of fully repayable loans,

[29] Accounts Chamber displeased with distribution of federal money to support cinema – http://www.vedomosti.ru/companies/news/7839181/schetnaya_palata_nedovolna_mehanizmom_raspredeleniya#ixzz3CKux5RSG (Russian only).

increased substantially. In 2013, RUB 350 million was allotted both for Russian majors and for other cinema organizations. In 2014, RUB 700 million was assigned to the leading players alone, with all other companies able to claim a share of another RUB 500 million. In 2013, there were RUB 150 million in subsidies to be repaid out of the films' earnings in proportion to the Fund's share of the budget; in 2014, the agreement did not include this option at all. A single sum of RUB 100 million was allotted for financial support and/or compensation for expenses connected with the subsidizing of loan interest for the two preceding years.

At the same time, the Fund became more accountable to the Ministry of Culture and undertook to seek approval of any decisions not delegated to it by the agreement. In this manner, the Fund became a kind of economic agent of the Ministry, taking on the job of supporting projects with good commercial potential which were capable of later returning a portion of their profits to the Fund. It is thus the pursuance of this particular mechanism that is demonstrated by the redistribution of amounts from 2013 to 2014 and especially, by the projects chosen to receive support. Of the 26 projects by leading companies which received money from the Fund in 2013, 13 films were financed completely by grants, five completely by loans, two with an agreement to return a percentage of profits, and six under a combination of terms. In 2014, out of 27 projects, 12 managed to receive grants, seven were financed completely by loans, and eight were financed by a combination of terms. A similar situation occurred with projects by other studios. In 2013, out of 28 'non-leader' projects, five were subsidized by grants, eight completely by loans, and 15 under a combination of terms. In 2014, 26 projects were chosen for subsidies, of which only two films were completely grant-financed. Nine films were financed fully by loans, and the remaining 15 projects were financed by a combination of terms. At the end of 2013, the Fund announced that the share of funds provided as loans had grown by a factor of 2.5 compared to the previous year and totalled 32.5%, and that the organization had allocated an additional RUB 201 million towards the production and distribution of film projects out of the money returned by film companies. At the end of 2012, the amount had been an extra RUB 127 million.[30]

At the same time, the Cinema Fund also began selecting projects by holding pitch sessions, with both film industry leaders and other organizations delivering in-person presentations. The procedure for selecting projects to be pitched is as follows. First, the Board of Trustees determines which studios are Russian majors. These studios then submit applications for financing for specific projects, which are then presented before the Fund's Expert Council. The Council carefully studies the projects and drafts recommendations for the Board of Trustees, which then chooses from among the recommended films those worthy of financing and determines how funds will be distributed. Applications from other organizations hoping for production subsidies are first reviewed by

[30] Cinema Fund deals with list of non-major pictures http://www.kinometro.ru/news/show/name/fond_kino_utverdil_nezavisimye_proekty (Russian only).

the Screenplay Working Group, which recommends the best to deliver a presentation before the Expert Council. The Council then also assesses the potential of the films and drafts recommendations for the Board of Trustees, which is responsible for the final decision. For the second year in a row, the pitching sessions have been streamed online.[31]

The Cinema Fund's Screenplay Working Group and Expert Council were first created in 2013. Vladimir Khotinenko chairs the first group. He is a director, screenwriter, and head of the film direction faculty at VGIK. The Screenplay Group has a further 16 members, mostly screenwriters, but also directors, producers, and market analysts. The Expert Council, chaired by producer Leonid Vereshchagin, consists of 18 people representing almost all areas of the industry.

The criteria for selecting the leaders of the Russian film industry have remained practically unchanged since 2012. The only change was that the time periods used to calculate the ranking for 'cinema attendance' were shifted by one year. That is, in 2013, rankings were evaluated from 1 January 2008 to 31 December 2012, but in 2014 the time period was 1 January 2009 to 31 December 2013. In 2013, 13 studios were selected. Rekun Cinema returned to the list, while Enjoy Movies and Strela made it onto the list for the first time. In 2014, the list shrank again to nine organizations, with Strela, Real-Dakota, Rekun Cinema, and Rock Films falling off the list of Russian majors.

The leaders themselves, both those currently recognized as such and those not on the 2014 list, mostly admit that this status conveys financial advantages above all. The distribution of state support among the biggest production centres allows them to produce films with bigger-than-average budgets and also to work on a larger number of projects. Overall, many market players feel the current mechanism of distributing state funds for film production is systematic and logical.

1.2.3. Joint activities of the Russian Ministry of Culture and the Cinema Fund

Alongside the Cinema Fund's increasing dependence on Ministry decisions with respect to allocating state funds to support film production and distribution, 2013–2014 saw the two agencies cooperating in two areas: a screenwriting contest and modernizing the operations of the Unified Automated Information System (UAIS).

In 2010, steps had already been taken to limit double financing of projects using both Ministry and Fund resources. Today, the Fund may not finance a film production through grants if that project has already received money from the Ministry. However, such projects can receive additional production financing in the form of loans or receive funds for distribution, also as loans.

[31] For example, 2014 project presentations by film industry leaders can be seen here: http://fond-kino.ru/upload/flv/pitching_23_06_2014_1.mp4 and http://fond-kino.ru/upload/flv/pitching_23_06_2014_2.mp4

Screenwriting contest

One of the Ministry of Culture’s tasks in 2013 was to reinstate the practice of holding screenwriting contests on themes determined by the state. RUB 21 million in subsidies was allotted from federal budget funds for cinema to the Ministry of Culture in order to carry out this project. On 21 March 2013, the Ministry signed Order No. 265 ‘On Selecting a Film Organization to Receive Subsidies from the Federal Budget for Supporting Cinema for the Purpose of Promoting a Screenwriting Contest’, which laid out the principles for selecting an organization to carry out this task and a list of expenses which would require subsidizing. The contest began on 13 September 2013, and on 7 October the Ministry signed a corresponding agreement with the Cinema Fund. At that point, the Fund issued an Order entitled ‘On Selecting Extended Film Treatments for a Screenwriting Contest’, according to which applications were to be received by 1 November 2013.

The actual contest is conducted in two stages. During the first stage, submitted projects are sent to be reviewed by an Expert Jury in order to determine whether they correspond with the declared theme and to assess them in terms of creativity, artistic integrity, topicality, and creative potential. Based on the Expert Jury’s recommendations, the Fund drafts a list of the most promising candidates to write screenplays (no more than 20 projects) and that list is then confirmed at a meeting of the Expert Jury. Then, with approval from the Ministry, the list of first-stage winners is confirmed, and commission agreements are signed with them. Remuneration for authors who are selected to write screenplays at this stage totals RUB 250,000. During the second stage, the screenplays written under those commission agreements are sent to the Expert Jury, which reviews them and makes recommendations resulting in a list of screenwriting contest winners (no more than 10 projects), which is then confirmed by the Expert Jury and the Ministry of Culture. Supplementary agreements are signed with the winners of the second stage for final revisions to their screenplays, taking all recommendations into account. Remuneration at this stage is RUB 750,000. When the work is complete, a certificate is signed to that effect, and the authors surrender the exclusive rights to their screenplays, which are transferred to the Cinema Fund as non-material assets.

The Cinema Fund’s Expert Jury consists of nine editors, including the Chair, Sergei Lazaruk, who heads the film studies department at VGIK, and Aleksandr Borodyansky, a playwright and Honoured Artist of the Russian Federation.

A list of the 20 winners from the first stage was compiled on 21 November 2013. On 14 March 2014, the Cinema Fund announced the six winners of the second stage, who were also the overall winners of the first screenwriting contest. Of those six, one project – *Vratar galaktiki [The Galactic Goalkeeper]* – earned one of the Fund’s grants for other organizations. On 27 March, the Cinema Fund announced that it would select additional extended film treatments, and on 23 April it announced the three winners of the first stage for the additional selection process, each of whom went on to achieve success in the second stage as well. Overall, as of 2 June 2014, nine projects were involved in the first screenwriting contest.

The next screenwriting contest has not yet been announced. The Cinema Fund's press service reports that it does not expect to announce one in 2014.

Consolidated Automated Information System

Since 1 May 2010, the Russian Federation has had a Consolidated Automated Information System (CAIS) which contains cinema exhibition data, offering users summaries of attendance figures and gross box office receipts for individual films on the basis of cinema ticket sales data. However, while the mechanisms by which the CAIS would function were being drafted, cinema operators raised significant concerns over the manner in which they would provide data to the system operator. The main subjects of contention were the frequency at which data would have to be submitted and the ability to hire third parties to handle this process. Large cinema chains equipped with local ticket sales data compilation systems demanded that the submission be performed online using automated box office systems in order to prevent cinema administrators from falsifying data. Independent cinema operators, faced with purchasing and installing the hardware and software they would need in order to work with the CAIS, argued that the requirement for real-time data transmission would inevitably bankrupt them. In accordance with Russian Government Resolution No. 837, dated 18 October 2010, cinema operators were required to provide the system with information on each ticket sold at least once an hour. In addition, film exhibition organizations located in cities with populations under 100,000 and in rural communities were given a deadline: they were required to transition to online data submission by 1 January 2015.

Still, a majority of independent cinema operators simply ignored the requirement to submit information to the CAIS, since the legislation did not provide for any specific administrative accountability on the part of violators, and did not identify a duly authorized body with the necessary authority in this area. In response, on 26 October 2012, the State Duma introduced fines for film distributors who falsified screening data.

Federal Law No. 126-FZ stipulates that a federal executive body, namely the Russian Ministry of Culture, exercises ownership rights over the database system in the name of the Russian Federation, and that the Ministry also provides for the implementation and functioning of the system and for reporting violators. However, in 2013 discussion began about the need to share operating authority for the CAIS with the Cinema Fund, changing the Ministry's status to that of state client representative. This spring, the Cinema Fund won an open bidding process within the Ministry of Culture to modernize and operate the CAIS. The contract transferring the system to the Fund was signed on 12 May 2014. "Since then, we have been going through the process of accepting documents on the transfer of the system, doing some technical analysis, and starting to implement the specifications that are in the government contract", reported Fedor Sosnov, Head of the Fund's Analytical Department, in September.[32]

On 4 June 2014, the Cinema Fund held the first meeting of the CAIS Supervisory Board in Sochi. At that meeting, distributors and cinema representatives discussed the difficulties of working with the system, and the Fund mentioned the possibility of redesigning its approach to the development of the CAIS. The first order of business would be to settle on a government mechanism for recording statistics about paid public film screenings. Next would be to reshape the CAIS into an industry-specific tool for recording and processing information for analysis, followed by the creation of a unique, free, and open source of reliable analytical information for the film industry. The following were identified as the key shortcomings of the CAIS at its current stage of development:

- the system was developed without industry involvement
- the lack of sufficient information in the databases
- the absence of a quality assurance system for the information being processed
- the weak informational support for users and system participants
- the poor quality of the software used by exhibitors to transmit data to the CAIS

At that point, a total of 2,345 film exhibitors were registered in the CAIS, of which 1,070 (720 automated, accounting for 2,940 cinemas and 477,891 seats; 350 non-automated, accounting for 517 cinemas and 101,815 seats) were transmitting data, and 1,275 (159 automated and 1,116 non-automated) were still not doing so.

In September 2014, at a conference held as part of the Kino Expo forum, Fedor Sosnov reported on the three months of work that had been done. "Work is underway to improve the quality of the data in the CAIS and to correct mistakes in recording the information sent to the system (data duplication, empty reports, etc.). We are also working on expanding the system's user functionality. In terms of bringing the databases up to date, part of the process is to re-establish contact with all exhibitors in the country. We are also coordinating the exhibitor data registered in the CAIS with the data held by regional divisions of the Ministry of Culture, distributors, and other organizations. When we first started working with the system, the difference between information about returns entered into the CAIS and other reporting systems was about 23% (that includes data for the CIS except for Ukraine, which is not included in the CAIS). After three months, the difference in returns in Russia between the CAIS and other systems is now around 9%. Soon we will know whether we will be able to reach the same figures."

Meanwhile, the Ministry of Culture has started to actively inspect exhibitors to check whether they are submitting information to the CAIS and complying with Article 6.1 of Federal Law No. 126-FZ.

[32] From comments made to the electronic issue of *Booker's Bulletin* 37 (553), 19 September 2014.

1.2.4. The Government Council on the Development of the Russian Film Industry

In December 2008, a Government Council on the Development of the Russian Film Industry[33] was established. The Council is a permanent consulting body meant to generate proposals on the implementation of state policy in cinema. Its principal objectives are to review and draft proposals on the following:

- improving the effectiveness of state support for the production, distribution, and exhibition of Russian films and the management of federal assets in the film industry
- providing support for the promotion and distribution of Russian films abroad
- promoting education, scientific research, and innovation in the film industry
- developing protective measures with respect to the Russian film market

The Prime Minister of the Russian Federation serves as Chair of the Council, further emphasizing the importance placed on cinema at the highest level of government. The Government Council reviews strategic issues relating to the development of the film industry and promotes the prompt adoption of relevant decisions at a super-agency level. The composition of the Council last changed in February 2014 due to staffing changes in the government bodies whose representatives make up a significant portion of the Government Council.[34]

1.3. The activities of regional and local authorities in the film industry

1.3.1. General situation

Given the federal state structure of Russia, regional and municipal authorities operate within the scope of their powers as specified by federal legislation[35], specifically, and also in accordance with regulations adopted at regional and local levels.

Clause 2, Article 26.3, Chapter IV.1 of Federal Law No. 184-FZ, 'General Principles for Delineating Authority between the Federal State Authorities and the State Authorities of the Constituent Entities of the Russian Federation'[36], establishes an exhaustive list of the powers that regional authorities have over objects that are jointly managed, which are executed by such authorities independently using regional budgets. In specific cases, and following the procedures prescribed by federal laws,

[33] The status of the Government Council was confirmed by Russian Government Order No. 1006, dated 24 December 2008.
[34] Government Council members: http://government.ru/department/195/ (Russian only).
[35] Federal Law No. 131-FZ 'On General Principles of Organization of Local Authorities in the Russian Federation', dated 6 October 2003.
[36] Federal Law No. 184-FZ, 'On General Principles of Organization of the Legislative (Representative) and Executive Bodies of State Authority in the Constituent Entities of the Russian Federation', dated 6 October 1999.

such powers may also be additionally financed through the federal budget and federal off-budget funds, including in line with target programmes.

In accordance with the provisions of Article 26.3 of Federal Law No. 184-FZ, the powers of state authorities in constituent entities of the Russian Federation over jointly managed objects which are applicable to the film industry include the following:

- providing secondary vocational education (not including education obtained in federal training institutions, a list of which is approved by the Russian Federation Government)
- organizing and supporting cultural institutions, including those in the cinema sector (but not including federal state institutions of culture and art, a list of which is approved by the Russian Federation Government)
- organizing and implementing inter-municipal investment projects (including cinema-related projects)
- international cooperation (including in cinema), in accordance with Russian Federation legislation

These provisions clearly define the scope within which regional authorities are free to adopt decisions appropriate for a specific region, and to bear financial responsibility for their actions.

1.3.2. Support for regional film production

Regional authority to conduct international cooperation in the film industry mostly encompasses holding international film festivals, special events, and exhibitions involving foreign cinema organizations. However, that authority may also include attracting foreign film crews to a region and creating cinema commissions – specialized regional organizations responsible for promoting the development of the film industry in a given region. The idea for Russian cinema commissions was born a few years ago. In 2009, a number of different companies simultaneously proposed projects of this kind. For example, the Cultural Foundation for Interregional Cinematography launched a website that includes a locations library spanning many Russian cities. The company also considered providing comprehensive services to film crews working in the country’s regions. However, the foundation has yet to sign any major projects. The Ministry of Culture provided support to RFILMS to try to develop an Internet database of Russian film production locations and to release a number of analytical and reference materials focusing on film production and the development of the country’s production infrastructure. The company later continued to develop the project under the patronage of the Cinema Fund’s International Department. However, all similar initiatives stalled some time later.

The first regional film commission was launched in St. Petersburg[37] and served as an example of a non-profit public–private partnership between St. Petersburg State University of Cinema and Television and St. Petersburg-based film companies with years of experience in working with

[37] St. Petersburg film commission website: www.film-commission.ru.

foreign and Russian film crews (Globus Film, Corona Films, KS Management Company, Igor Shadhan Workshop, and AST). The commission operated with the support of the municipal administration. Vladivostok also has a film commission.[38] The local organization is a permanent member of the Asian Film Commissions Network, which brings together film commissions and film companies that provide professional assistance in film production. Perm also has a very active commission today.[39] The commission grew in 2014 with the support of Perm Territory's Ministry of Culture and Permkino. But overall, it is fair to say that film commissions in Russia, as an institution, are mostly underdeveloped. The same cannot be said about Russian film production in the regions.

Over the past three years, mostly in the national republics of the Russian Federation, local film production is gaining in popularity. Projects are being taken up in the form of local initiatives and they are attracting an audience. This phenomenon has been most impressive in the Republic of Sakha (Yakutia). The process began way back in 1992, when the local leadership ordered the creation of the Sakhafilm production company. "While the major film studios were suffering from the economic collapse", remembers Andrei Borisov, Minister of Culture and Spiritual Development for the Republic of Sakha, "we created a national film company, and later a film archive and sound stage. Aside from just shooting films, we also set ourselves a more complicated task – shoring up the infrastructure – and we purchased large volumes of equipment."[40] At the Republic level, support began to be offered for staff training, with cinematographers from Yakutia able to study in Moscow and St. Petersburg. In 2002, local project *Black Mask [Chernaya maska]* was shown at the Central Cinema in the city of Yakutsk and took RUB 800,000, an impressive amount for a single screen. It was filmed on Betacam and screened by DVD. In 2004, the Almazfilm company appeared on the scene, releasing *My Love [Lyubov' moya]*. The film had a budget of RUB 170,000, and made almost 250% of that amount in total receipts. Almazfilm also quickly released several franchise films: the crime comedy *Run [Kuot]* (2005), partially financed by Chinese investors, with a sequel that remains unfinished; and the horror film *Death Path [Tropa smerti]* (2006), which, along with its 2008 sequel, launched the Yakutian horror genre. The first part of *Death Path [Tropa smerti]* broke all box office records in the Republic, recouping its RUB 1 million budget in just its first week of distribution in Yakutsk. *The Secret of Genghis Khan [Taina Chingiskhana]* was also a breakthrough in Yakutian cinema, and was distributed not just within the Republic, but nationally as well. Over the past two years, a total of over 30 films by Yakutian filmmakers have been released locally, with a new Yakutian project appearing in the Republic's cinemas almost every month.

There have also been examples of successful local work in the Udmurtian Republic, the Republic of Tatarstan, the Republic of Bashkortostan, the Republic of Buryatia, and other regions of the Russian

[38] Vladivostok film commission website: www.vlfc.ru.
[39] Perm film commission website: www.filminperm.com.
[40] 'Specific features of national film distribution'. // Film Distributor's Bulletin No.12 (77)

Federation, mostly those where residents speak their own national language alongside Russian.

But purely Russian-speaking regions are also trying to do the same. For example, this is the second year running that the All-Russian Regional Film Forum, RegionKino, is being held in Ulyanovsk Region. Its chief goal is to create a forum where filmmakers can share their experiences, and to draw the attention of officials and cultural figures to issues affecting regional cinema. In 2014, representatives from the regional film industries in Tula, Yekaterinburg, Tyumen, Ufa, Kazan, Tver, Orenburg, Samara, Inza, St. Petersburg, and Moscow attended the event. While the forum was in session, the city's cinemas showed over 40 films made by forum participants. City residents were able to watch the films and discuss them with their creators in person. The forum resulted, in part, in initiatives to propose federal legislation to create a separate budgetary line item for local and municipal entities in Russia for film production; to define 'regional cinema' as a separate, distinct form of film production, primarily for distribution within a specific region; and to consider possible forms of state support for that sort of project.

1.3.3. Support for the regional film exhibition market

The authority of regional governments to organize and support cultural institutions, including those involved in the film industry, is formulated in a rather abstract way, and refers to the existing network of cinema institutions managed by the constituent entities of the Russian Federation. The description of that authority does not specify the particular types of cultural and artistic institutions that may be under regional management. Regional and local authorities therefore retain some freedom in defining the type of cinema institutions that may remain under their care and be financed from the regional budget. If this authority is directed exclusively to the existing network of these institutions, then the emergence of non-state bodies that offer the same range of services as those funded from the state budget will render the implementation of the authority in question meaningless. This is the case for cinemas, some of which still remain state or municipal bodies financed from the budget. At the same time, there are currently no approved requirements governing what state and municipal cinemas show. This situation may change with the adoption of state and municipal roles that will make it possible to approve requirements with respect to programme planning.

The provisions of Federal Law No. 131-FZ, dated 6 October 2003, specify the list of powers that fall under the exclusive purview of municipal authorities. In terms of the film industry, these include creating an environment for providing leisure activities and ensuring that local residents have access to the services of cultural organizations. Thus, policies for the provision of services by cinema organizations (film projection being primary among them) can be implemented at the level of a local community or urban district. In an ideal scenario, defining the conditions for the organization of film exhibition would be the exclusive remit of municipal authorities.

Moscow is the most active region in executing its legal authority with regard to the film industry. For example, in February 2012, the capital's administration took the decision to reconceptualize more than 60 municipally owned cinemas (Moscow Prefecture Joint Directorate for the Management of Cinema Chain Properties and Moscow Cinema Organization). The administration decided to open 15 sites to outside investors (under concession agreements) to carry out remodelling, reconstruction, and redevelopment. This was conditional on maintaining the film exhibition functions of these sites. Other cinemas are scheduled to remain in their present condition, leasing 30% of their space to food companies.[41] This strategy is being developed by the city's Department of Culture and Department of Property, along with Moscomarchitecture. In autumn 2012, the Department of Culture took the decision to unify Moscow's children's cinemas into a single cinema chain under the name Moscow Youth Cinema Arts Centre.[42]

Also at the end of 2013, the city started to sell off municipally owned cinemas. In December 2013, the city owned 78 cinemas, and Moscow decided to put 39 of them up for auction. This concerned ten cinemas at first[43]; in summer 2014, the sales continued.[44]

Since 2004, many regions in Russia have taken a page from the capital's policy and begun implementing their own film industry strategies targeted at supporting film distribution. Regional governments have especially stepped up their activities in connection with the transition to digital exhibition technologies: more and more municipal cinemas, especially those in small cities, are receiving financing for the purchase of digital film projectors and servers. For example, in July 2010, the administration of Krasnodar Territory approved a long-term (2011–2015) territorial target programme called 'Development of the Film Exhibition Infrastructure in Krasnodar Territory'. As part of this programme, the administration has been providing RUB 205 million for the purchase of cinema equipment and audience seating in order to modernize cinemas belonging to municipal cultural organizations, as well as for the purchase of digital film exhibition equipment for the Kuban Kino chain of municipal cinemas.[45]

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[41] Moscow Administration Addresses Fate of City Cinemas – http://www.rbcdaily.ru/market/562949983640810 (Russian only).

[42] Unified Chain of Children's Cinemas to Be Created in Moscow – http://ria.ru/culture/20120827/731711887.html (Russian only).

[43] Moscow Authorities Auction Off 10 Cinemas – http://www.rbc.ru/rbcfreenews/20131206100509.shtml (Russian only).

[44] Three Moscow Cinemas Up For Auction – http://lenta.ru/news/2014/07/14/kinoteatryprodayut/ (Russian only).

[45] See the long-term territorial target programme, entitled 'Development of the Film-Exhibition Infrastructure in Krasnodar Territory, 2011–2015' at http://kultura.kubangov.ru/www/kultura.nsf/91ec8d66fd21aa2fc32570bf004b76c4/afcc472cb7a55da9c325781800235870!OpenDocument (Russian only).

1.4. International cooperation

1.4.1. The legal basis for cinematic co-production in Russia

The legislative framework for co-productions between Russia and other countries consists of:

- The European Convention on Cinematographic Co-Production (1992). This document has been signed and ratified by over 40 Council of Europe member states. Russia ratified the European Convention on Cinematographic Co-Production in 1994, opening the way for tripartite film projects.
- Intergovernmental agreements on co-production. Currently, Russia has signed protocols on cinematic co-production with five other countries and with the CIS (see Table 3).

Table 3. Intergovernmental agreements on cinematic co-production with Russia

Country	Date of signature	Document name
France	08.07.1967	Agreement on Cooperation in Cinematography signed between the Government of the USSR and the Government of the French Republic[46]
	06.02.1992	Agreement between the Government of the Russian Federation and the Government of the French Republic on Cultural Cooperation
Canada	05.10.1995	Agreement between the Government of the Russian Federation and the Government of Canada Concerning Audiovisual Relations
Italy	28.11.2002	Agreement between the Government of the Russian Federation and the Government of the Italian Republic on Cooperation in Cinematography
Bulgaria	07.07.2004	Agreement between the Government of the Russian Federation and the Government of the Republic of Bulgaria on Cooperation in Cinematography
CIS	1994	Charter on Key Directions and Principles of Cooperation between CIS Member States in Cinematography
	14.11.2008	Agreement on Cinematic Co-Production
Germany	28.06.2011	Agreement between the Government of the Russian Federation and the Government of the Federal Republic of Germany on Cooperation in the Audiovisual Sphere

Work is presently underway to conclude intergovernmental agreements on cinematic co-production with Chile, Venezuela, India, and China. To that end, in September 2014, Vyacheslav Telnov, Director of the Russian Ministry of Culture Cinematography Department, met with Lian Ge, Deputy Director of the Cinematography Department at China's State Administration for

[46] The Russian MFA has confirmed that this Agreement may officially be used as a legal document in the process of cooperation between Russian and French filmmakers – see http://www.fond-kino.ru/projects/20/38/ (Russian only).

Press, Publication, Radio, Film, and Television. At that meeting, aside from an agreement on co-production, the two officials discussed the possibility of educational exchanges between film schools in Russia and China, cooperation between cinema foundations, the provision of cinematic materials, the participation of films from both countries in each other's film festivals, and cooperation in film distribution and exhibition. Statistics show that Chinese audiences prefer large-scale, spectacular films, especially on war and historical topics. "Russian companies already have several projects in development that could be made as co-productions", Vyacheslav Telnov noted during the meeting. "This includes *Journey to China 3D [Puteshestvie v Kitai 3D],*[47] *The Crew [Ekipazh]*, and several animation projects."[48]

- Federal Law No. 126-FZ on State Support for Cinema in the Russian Federation, dated 22 August 1996. In order to expand opportunities for cinematic co-productions with countries that have no international agreements in place with Russia and are not members of the European Convention, on 1 May 2010 amendments were made to Federal Law No. 126-FZ pertaining to the criteria for recognizing a project as a national film, which has simplified co-production. Now, films produced in cooperation with other countries and designated as national films may both apply for state support and take advantage of VAT tax breaks.

1.4.2. Russian membership of international organizations

Since 1993, the Russian Federation, represented by the Federal Agency for Press and Mass Media, has been a member of the European Audiovisual Observatory[49], whose mission, set by the Council of Europe, is to improve transparency in the European audiovisual sector by providing information services for professionals.

Since 2010, the non-commercial partnership Kinoalliance, which brings together cinemas and cinema chains from across Russia, has represented Russian cinema operators at the International Union of Cinemas (UNIC), which promotes the interests of film exhibitors from thirty European countries.

After years of negotiations with the European Support Fund for Co-Production and Distribution of Creative Cinematographic and Audiovisual Works (Eurimages), Russia became an official member of the Fund on 1 March 2011. Three years later, as of 1 March 2014, the Fund had supported 10 feature co-productions involving Russia. Predominant among them have been projects in which Russia has had a majority share. Leonid Demchenko, Russia's national representative to Eurimages, believes that this demonstrates how effective current cooperation is. "This should facilitate the future activities of Russian producers as they search for

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[47] The sequel to the highest-earning Russian project in 2014, *Viy 3D*.
[48] Russia and China agree to cooperate in the audiovisual sphere – http://mkrf.ru/press-tsentr/novosti/ministerstvo/rossiya-i-kitay-dogovorilis-o-sotrudnichestve-v-audiovizualnoy-sfere (Russian only).
[49] www.obs.coe.int

European partners who are willing to make smaller contributions to this sort of project", Demchenko said.[50]

Table 4. Russian co-productions supported by Eurimages (2011–2014)

2014	
No co-productions involving Russia supported as of 23 June 2014	
2013	
Majority share	***Two Women*** Dir. Vera Glagoleva (Russia) Allocated: EUR 260,000 Co-producers: Horosho Production (Russia) Jura Podnieka Studija (Latvia) Rezo Productions (France)
	Snake Bite [Ukus zmei] Dir. Teimuraz Butikashvili (Georgia), Fuad Ibragimbekov (Russia), Eldar Shengelaia (Georgia) Allocated: EUR 190,000 Co-producers: Ibrus (Russia) Cinetech (Germany) Kinoskopik (Estonia) Eaux Vives (France)
2012	
Majority share	***The Role*** Dir. Konstantin Lopushansky (Russia) Allocated: EUR 260,000 Co-producers: Proline Film/Lenfilm Studio (Russia) Belarusfilm (Belarus) Bufo (Finland)
	Moscow Never Sleeps Dir. Johnny O'Reilly (Ireland) Allocated: EUR 240,000 Co-producers: Snapshot Films East (Russia) Snapshot Film Ireland/Blinder Films (Ireland)
	I Won't Come Back Dir. Ilmar Raag (Estonia) Allocated: EUR 210,000 Co-producers: CTB (Russia) Belarusfilm (Belarus) Helsinki Filmi (Finland) Amrion (Estonia)
Minority share	***Cannibal*** Dir. Manuel Martín Cuenca (Spain) Allocated: EUR 250,000 Co-producers: La Loma Blanca P.C./Mod Producciones (Estonia) Libra Film Production (Romania) CTB (Russia)

[50] Interview with Leonid Demchenko, 26 February 2014 – http://www.proficinema.ru/questions-problems/interviews/detail.php?ID=155526&sphrase_id=50721 (Russian only).

	Luminor (France)
	Epic [Epik] Dir. Pawel Pawlikowski (Poland) Allocated: EUR 550,000 (support cancelled 16.10.2012) Co-producers: 20 Steps Film (Germany) Epic Films (United Kingdom) Metrafilms (Russia) Haut et Court (France)
2011	
Majority share	***My Little One [Moy malenkiy]*** Dir. Sergei Dvortsevoy (Russia) Allocated: EUR 350,000 Co-producers: Kinodvor/Igor Tolstunov Production Company (PROFIT) (Russia) Pallas Films/Otter Films (Denmark)
Minority share	***Aftermath*** Dir. Władysław Pasikowski (Poland) Allocated: EUR 260,000 Co-producers: Apple Film Production (Poland) Metrafilms (Russia) Attack Film (Slovakia)
	Chaika Dir. Miguel Ángel Jiménez (Spain) Allocated: EUR 210,000 Co-producers: Kinoskopik (Estonia) Cinetech (Germany) Ibrus (Russia) Eaux Vives (France)

It is worth noting that Russian director Aleksandr Sokurov's new documentary, *Francofonia: Le Louvre Under German Occupation*, also received support from Eurimages in 2013, although only France, Denmark, and the Netherlands are involved in the production of the film – Russia has not participated at all.

Since Russia began cooperating with the Fund, several films have received support for European distribution, including *Innocent Saturday* by Aleksandr Mindadze and *Euphoria* by Ivan Vyrypayev (distribution in Romania), *Elena* by Andrey Zvyagintsev (distribution in Hungary and France), and *How I Ended This Summer* by Alexei Popogrebsky (distribution in Hungary and Romania). Russian distributors, however, have very rarely applied for support to distribute European films in Russia.

The system for supporting Russian exhibitors who specialize in European films has seen some development. In autumn 2014, for example, according to Nevafilm Research data, the Eurimages/Europa Cinemas network in Russia included seven sites with 19 screens, located in Nizhny Novgorod (since 2006), Kaliningrad, Moscow, and St. Petersburg (since 2012), and Irkutsk and Yekaterinburg (since 2013).

1.4.3. International activities of Russian government agencies

Part of the remit of the Ministry of Culture is to present Russian cinema at international film festivals, during Russian film weeks in other countries, and during retrospectives of the work of Russian directors. To that end, 574 release prints of Russian films were provided to such events in 2013, and 1,176 screenings were held. A total of 622 filmmakers were sent abroad to take part in film events.

Furthermore, the Ministry supervises the activities of Roskino, which handles the promotion of Russian productions in foreign markets and markets Russian cinema abroad. Roskino was previously known as Sovexportfilm, but in 2011, the decision was taken to reorganize the agency. This resulted not only in a new name, but also in increased activity in the international arena, which had died down somewhat after the breakup of the USSR. In 2014, the organization celebrated its ninetieth anniversary. Roskino's Board of Directors includes Denis Molchanov, Deputy Chief of the Government Executive Office; Konstantin Ernst, General Director of Channel One; and Vasiliy Titov, First Deputy President and Chairman of the Management Board at VTB Bank. The company's CEO is Catherine Mtsitouridze, who is also Editor-in-Chief of the Russian edition of *Variety* magazine.

Roskino still promotes Russian films at international festivals (Cannes, Venice, Berlin, and Toronto), at film fairs (AFM in Los Angeles, EFM in Berlin, Marché du Film and MIPCOM in Cannes) and at awards ceremonies (the Oscars, the Golden Globes, the European Film Academy Awards); supports the distribution of Russian films abroad; and attracts investors and partners interested in working on co-productions with Russia.

In February 2012, Roskino opened a representative office in Los Angeles, the Russian Film Commission USA, and in 2014, the company opened an office in the United Kingdom.

Roskino has helped to organize the Russian Pavilion at Cannes since 2008, hosting large-scale meetings with Russian filmmakers, presentations of Russian films and studios, and topical round-table discussions and conferences. Every year, Roskino also has stands at other leading international film markets. In 2012, as part of the 34th Moscow International Film Festival, Roskino and the Russian Film Commission USA organized the first DOORS international mobile film market, which was attended by 35 American distributors, festival selectors, and representatives from leading media organizations. There were some attempts to have this film fair replace the Moscow Business Square forum, which still takes place as part of MIFF in June. But industry experts are concerned that neither event is scheduled at the best time, only a month or so after the large meetings of all filmmakers interested in international cooperation at Cannes, and at a time when studio bosses are travelling to the CineEurope convention in Barcelona. Also in June, Russian filmmakers hold a number of meetings relating to domestic business as part of the Kinotavr festival in Sochi and the Russian International Film Market that coincides with it.

In November 2012, following the DOORS event, Roskino and Gravitas Ventures announced that 12 Russian films would be exclusively available on the Hulu video streaming service. According to Roskino, the film *Spy [Shpion]* climbed into the platform's top ten just two weeks after it was made available to a broad audience. In July 2014, it was announced that Hulu would become the exclusive online platform in the US for Russian films and television series on a permanent basis. Russian content is available with English subtitles at http://hulu.com/russian.

The second DOORS international film market event was held in September 2013 in St. Petersburg, and in 2014 it was replaced by a huge international media forum which took place in St. Petersburg in October, with support from the city administration and the personal support of Governor Georgy Poltavchenko, and which brought together activity in three areas: film, TV, and new media.

At international festivals, Roskino usually presents projects in both the competitive and non-competitive programmes. For example, at the 63rd Berlin International Film Festival in 2013, Roskino sponsored the global premiere of a Russian film competing in the festival: Boris Khlebnikov's *A Long and Happy Life.* In 2012, while presenting Sergei Loznitsa's *In the Fog* for competition at the 65th Cannes Film Festival, Roskino organized a promotional campaign for the film, and also arranged for members of the film crew to attend. The organization helped to promote Taisia Igumentseva's short film *Road To [Doroga Na],* which won the main prize in the Cinéfondation programme. Igumentseva returned to Cannes in 2013, when her full-length debut, *Bite the Dust,* was included in the Official Selection. Roskino also supported the premiere of Yury Bykov's film *The Major* in the Critics' Week competitive programme that year. In 2014, Roskino officially presented the short film *The Last [Posledniy]*, a Russian–Azerbaijani co-production, and Andrey Zvyagnitsev's film *Leviathan*, which won the prize for Best Screenplay and was released in French cinemas on 24 September 2014.

The International Department of the Cinema Fund started operations on 1 January 2011, and competed with Roskino to a certain extent.[51] But the department was closed in spring 2013. "The Cinema Fund's priorities have changed", said Elena Romanova, who led the department. "Now the main task is to increase the share of domestic films distributed in Russia, so all activities not directly related to that task have been cut." Furthermore, all international agreements reached during the department's two years in existence were also cancelled, including the creation of a joint film academy with Germany, France, and Italy; a film co-production fund with Germany; and an international film market in Moscow to be called Red Square Screenings. It was expected that all those agreements would be re-signed by the Minister of Culture, but that has not yet happened. Elena Romanova herself assumed that part of the Ministry of Culture's everyday work would be passed on to the Open World

[51] For further details, see section 4.1.5 *International activities of the Cinema Fund* in the report The Film Industry in the Russian Federation – 2012. http://www.obs.coe.int/documents/205595/552774/RU+Film+Industry+2012+Nevafilm+EN.pdf/2a99cc4b-6946-44c3-954e-accda3e942b2

Fund she created, and she hoped to draw in private business to finance projects, but that has not yet occurred.[52]

Currently, the Cinema Fund's international activities are focused exclusively on promoting Russian content abroad. In 2014, for example, the Cinema Fund, with support from the Ministry of Culture, hosted a joint Russian Cinema stand at eight leading international film forums, including EFM, Filmart, MIPTV, Marché du Film, and MIPCOM.

1.4.4. Support for co-productions

In recent years, especially since the dissolution of the Cinema Fund's International Department, direct support for co-productions with foreign countries has been reduced to a minimum. The sector has stopped keeping precise statistics about how many co-productions have been made or financed. During a topical round table held in August 2014 at the Window to Europe festival in Vyborg, the Cinema Fund's Executive Director, Anton Malyshev, commented: "It is difficult to talk about the effectiveness of supporting co-production as a separate area. We have some excellent examples... but in general, out of 18 projects that the Fund supported in this area five, unfortunately, did not get off the ground at all, even with money from the Russian side. So, even after a great deal of money had been allocated from the Russian side, the foreign co-producers somehow disappeared. Without finishing the project. The rest are still in progress. Some of the films have been completed, and some are still being worked on."[53] As a result, ever since the system for allocating government funds to film production was changed – ever since specific projects began to be financed directly – it has been possible to obtain government money for a film without any special emphasis on the fact that it is a co-production. "After clarifying its role, the Fund moved away from the separate activity of supporting co-productions for the sake of developing co-production", Anton Malyshev explained. "But we have not imposed restrictions. If a film has a potential audience on the domestic market and has a foreign investor, a co-producer, we always welcome that." For instance, in 2013 Aleksandr Mindadze's film *Lovely Hans, Dear Peter* received support from the Fund, and also obtained funding from Germany. In 2014, the Cinema Fund heard a pitch for *Journey to China 3D [Puteshestvie v Kitai 3D].* In the end, the project did not receive financing, but it already has partners in China.

Nevertheless, that niche was bound to be filled, and in 2013, when direct financing for co-productions was halted, the Point of View (P.O.V.) fund emerged in St. Petersburg. Its main purpose is to offer financial, educational, and other forms of support to help develop cinematic co-productions involving Russian producers in the early stages of development. Projects supported by P.O.V. should have good potential for

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[52] Cinema Fund's International Department shuts down – http://www.kinometro.ru/news/show/name/fond-kino-international-department (Russian only).

[53] Transcript of the round table 'Co-Production: A Path to Global Markets' – http://research.nevafilm.ru/presentations/conferences/kruglyi-stol-koprodukciya-puti-vyhoda-na-mirovye-rynki (Russian only).

distribution and/or participation in international festivals. The support must be paid back if the film goes into production, with repayment due on the first day of shooting. Producers can request support of RUB 1 million, the maximum amount for a single project. Total financial support may not exceed 80% of the producer's contribution to financing the development of the film. In 2013, the fund's expert council, which includes producers who have proven success with co-productions, selected three pictures for P.O.V. funding, for a total of EUR 65,000. In 2014, the fund selected two projects: *Nobody Nowhere [Nikto nigde]* by producer Anastasia Pavlovich and *Thirtieth Love [Tridtsataya lyubov]* by producer Yulia Mishkinene. Each film received a grant of EUR 15,000.

1.4.5. Russia's accession to the WTO: consequences for the film industry

In August 2012, the Russian Federation officially became a full member of the World Trade Organization (WTO). On 23 July, the Russian Government informed the WTO Secretariat that Russia had completed all the internal procedures necessary for accession to the organization, including the ratification of the protocol signed in Geneva on 16 December 2011 on Russia's accession to the Marrakesh Agreement of 15 April 1994, under which the WTO was established. Under the organization's rules, Russia became a member on 22 August, on the thirtieth day following the notification outlined above. Thus, the protocol on Russia's accession to the WTO came into force and Russia became the 156th member of the organization.[54]

Negotiations on Russia's accession to the WTO began in 1995. However, this only became a full-scale process in 2000, when all aspects of the country's accession to the organization were taken into consideration.

The protection of intellectual property was one of the problematic areas which had long hindered Russia's accession to the WTO. Since 1997, the country has been on the Priority Watch List of the Office of the United States Trade Representative (the list includes a total of 13 countries with the highest levels of piracy). The International Intellectual Property Alliance considered one of the main problems of law enforcement in Russia to be the fact that it is almost entirely focused on the distribution of pirate copies on physical media, while the greatest threat is Internet piracy. In October 2011, the Prosecutor General filed an Internet piracy case against the founders of Interfilm.ru, seeking a record amount of damages for Russia: RUB 38 billion. The Russian Anti-Piracy Organization (RAPO) also defends the interests of foreign rights holders and major studios. The organization was created in November 1997 by the Motion Picture Association of America, in collaboration with major Russian public organizations, film studios, and video distributors. In particular, RAPO has contributed to amendments to existing anti-piracy legislation which have already been introduced or are in the process of being adopted. The legislation is now fully compliant with World Trade Organization

[54] See http://www.rg.ru/sujet/139/ (Russian only).

requirements. RAPO reports that Russia currently ranks fifth among European countries in terms of piracy levels.

As a member of the WTO, Russia has an obligation to lower import duties, and to remove barriers preventing companies from accessing the market. These obligations also extend to the audiovisual and film industries. Overall, however, WTO accession has not had any significant consequences for the Russian film industry.

CHAPTER 2. THE RUSSIAN FILM INDUSTRY: PRODUCERS AND PRODUCTION COMPANIES

2.1. Branch structure

2.1.1. Methodological aspects

The starting material for analysing the state of the film industry in the Russian Federation was a list of films which finished production in 2012 and 2013, according to the State Film Registry, which is maintained by the Ministry of Culture. This list was compiled from data received from production companies and film studios and also collected from public information sources. The list does not include short films, since the information available on them is fragmented and incomplete.

Due to the closed nature of the market, information on the budgets and amounts of state support provided cannot be obtained for all projects. For films with insufficient data, an estimate of these indicators was made using average values for films of the same category where budgets and state funding are known.

The specific methodology used to determine the number of films should also be noted. When calculating the number of animated and documentary films, short, multi-episode projects were counted by number of titles and seasons, whereas Ministry of Culture documents include calculations based on the number of episodes. When ranking Russian film producers involved in co-productions, the budgets, state funding, and box office returns were listed in full for each producer.

2.1.2. General state of the market

An analysis of film production in the Russian Federation (for feature, documentary, and animated films) revealed that over 700 films are produced each year. In 2012, 250 full-length feature films, 440 documentaries, and 105 animated films were produced, while in 2013 there were 211 full-length feature films, 390 documentaries, and 112 animated films. These figures are higher than the corresponding data for 2010–2011 because the 2011–2012 analysis included films that were produced with the support of television channels, which later received distribution certificates and were distributed over various media and through online streaming services.

Table 5. Volume of film production in Russia (2010–2013)

Year	total films		features		documentaries		animated	
	overall	including with state support	overall	including with state support	overall	including with state support	overall	including with state support
2010	692	508	133	77	451	360	108	71
2011	662	507	103	45	481	426	78	36
2012	795	252	250	37	440	184	105	31
2013	713	319	211	37	390	227	112	55

Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture, Nevafilm Research

Overall, film production volumes in Russia are stable, except in the case of animated productions, where volume is trending upwards.

2.1.3. Feature films

An analysis of the success of Russian films in cinemas in 2012 (by comparing box office receipts for the entire distribution period to production budgets for films released in the year being analysed) suggests a gradual increase in the number of successful projects. While in 2010, there were 11 films with box office receipts exceeding their production budgets, in 2011 there were 15, and in 2012 there were 20. The most successful films were *Three Heroes on Distant Shores* (Melnitsa Animation Studio and CTB); *Happy New Year, Mamas!* [*S novym godom, mamy!*], *Mamas* [*Mamy*], and *Nannies* [*Nyanki*] (Enjoy Movies); and *Soulless* [*DukhLess*] (Slovo Film Studio and Art Pictures). *Three Heroes on Distant Shores,* which earned RUB 950 million, was the second highest-earning film in Russian history. It should also be noted that one of the top ten most successful films was the small-budget picture *On Lake Baikal* [*Na Baykal*], from Cinema+, with a budget of RUB 3.4 million, released in only 50 copies and earning in regional cinemas 2.8 times the amount of its production budget.

2013 was notable for the release of *Stalingrad*, the biggest Russian box office earner ever, which was released in IMAX format and earned RUB 1.7 billion in box office receipts. But the film was not one of the top ten most successful releases, with earnings only 1.4 times its budget. The most successful film was the motion picture *Bitter! [Gorko!]* (Bazelevs and Lunapark Productions), receipts for which totalled over 16 times the film's production budget (the same as the previous year's leader, *Three Heroes on Distant Shores*). Other top-ranking successful films were *Yolki 3* (Bazelevs), *Prince Ivan and the Grey Wolf 2* (Melnitsa Animation Studio and CTB), and two films from Enjoy Movies: *What the Men Are Up To [Chto tvoryat muzhchiny]* and *The Double [Dubler].* As in the previous year, there was one small-budget film among the top ten: *For Marx [Za Marksa]* (AD Studio), with box office earnings three times greater than its budget of RUB 100,000 for 20 copies. Overall in 2013, 19 films released in cinemas pulled in box office receipts greater than their production budgets.

The most successful production companies (whose films grossed highest at the box office) in 2012 were CTB, Enjoy Movies, and Melnitsa Animation Studio.

Table 6. Top ten Russian film producers by box office return totals in 2012

Rank	Company	Number of releases	Box office returns (million RUB)
1	CTB Film Company	4	1381,0
2	Enjoy Movies	5	1213,7
3	Melnitsa Animation Studio	1	989,7
4	Bazelevs	3	688,5
5	Kvartal Leopolis	2	462,0
6	Slovo Film Studio	1	414,3
7	Art Pictures	1	414,3
8	Glavkino	1	296,0
9	Triada Film	1	245,5
10	Wizart Film	1	244,8

Sources: Universe Consulting (the Movie Research project), Nevafilm Research

The leading Russian production companies in 2013 were Bazelevs, Non-Stop Production, and Art Pictures Studio.

Table 7. Top ten Russian film producers by box office return totals in 2013

Rank	Company	Number of releases	Box office returns (million RUB)
1	Bazelevs	3	2144,9
2	Non-Stop Production	2	1851,0
3	Art Pictures	2	1816,8
4	Nikita Mikhalkov's Studio TRITE	1	923,0
5	CTB Film Company	4	820,4
6	Lunapark Productions	1	811,0
7	Enjoy Movies	3	652,4
8	Melnitsa Animation Studio	1	632,1
9	Igor Tolstunov's Production Company	1	364,9
10	MG Media	1	204,3

Sources: Universe Consulting (the Movie Research project), Nevafilm Research

It should be noted that over the past four years, Bazelevs, CTB Film Company, and Melnitsa Animation Studio have always been in the top ten film production companies, while Enjoy Movies has been in the top ten for the past three years. Though earnings by the three leading companies in 2012 grew only a little in comparison with 2011, they grew significantly in 2013.

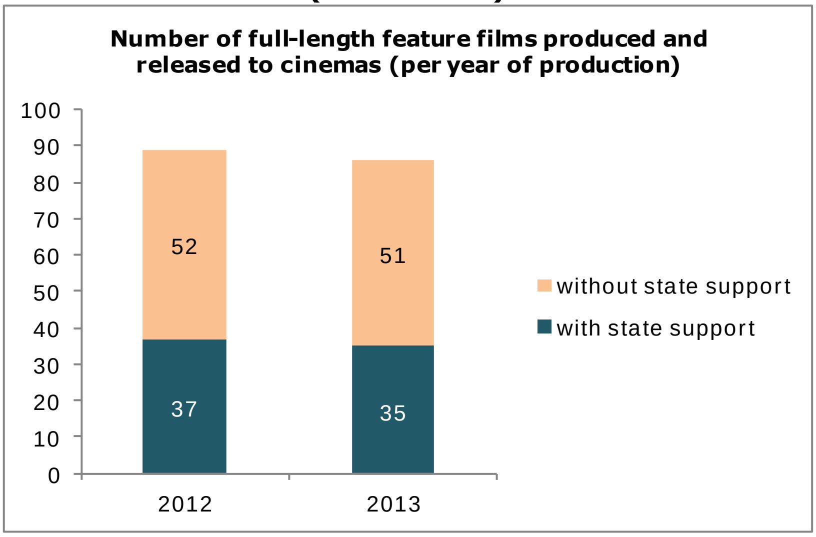
Accordingly, in recent years a group of leading film production companies has emerged whose films consistently earn more money in cinemas than their production budgets, but there are not many of them. Most Russian productions do not pay for themselves during their theatrical release.[55] Producers' profits in this case are helped along by government support.

Overall, 250 full-length feature films were produced in 2012 (for theatrical release, distribution over other media, and online viewing), 89 of which came out in cinemas between the start of 2012 and the middle of 2014. The total production budget of films released in cinemas was RUB 8.3 billion, and 37 films received state support totalling RUB 2.3 billion.

[55] Placed above the line (see Figure 4 and Figure 5) are films that have generated revenue for their producers. The income is calculated as the difference between box office receipts – after the cinemas' (50%) and distributors' (7.5%) shares have been deducted – and the film's production budget. This calculation is approximate, since it is based on average values of remuneration to cinemas and distributors, without taking into account marketing cost or revenue from other uses of film copyrights.

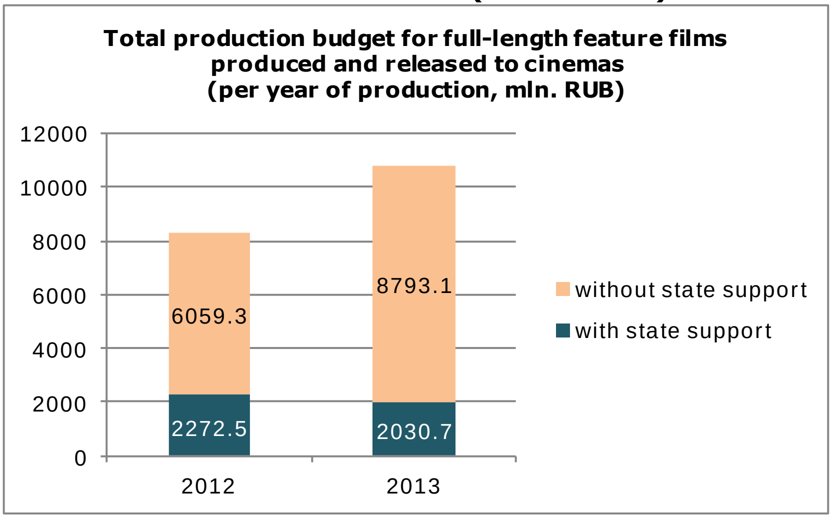
In 2013, production of 213 full-length feature films was completed. Eighty-six of these were released in cinemas. The total production budget of the films released in cinemas grew compared with 2012, to total RUB 10.8 billion. Of the films released in cinemas, 35 were made with state support, making use of a total of RUB 2.0 billion in production (this number is lower than the figure for films for which production was completed in 2012 because nine films, with total state support of RUB 0.3 billion, that finished production in 2013 have not yet been released).

Figure 2. Number of full-length future films produced and released to cinemas (2012–2013)



Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture, Nevafilm Research

Figure 3. Total production budget for full-length feature films produced and released to cinemas (2012–2013)

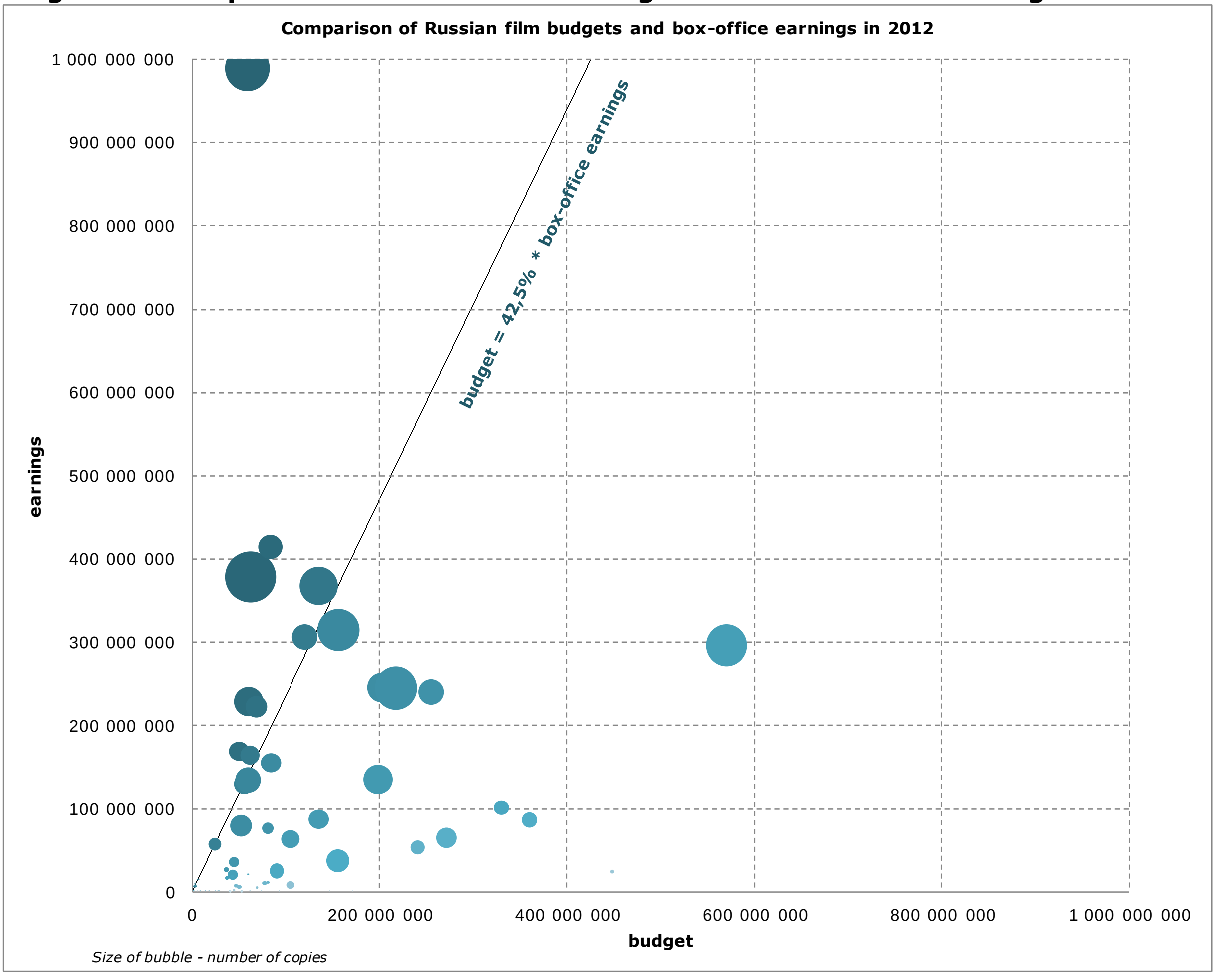


Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture, Nevafilm Research

As in previous years, Russian producers are clearly not participating in joint productions with filmmakers from abroad in sufficient volumes. In 2012, for instance, six such films finished production, in partnership with filmmakers from the US, Kazakhstan, the Netherlands, Poland, Austria, Slovakia, and Germany. All of these films were released, but their total earnings were only RUB 128.9 million, with just one film, *Branded,* responsible for RUB 125.0 million. In 2013, only two joint productions were completed, one of which was not released in cinemas. The second film *(Jack Ryan: Shadow Recruit)* earned USD 135.5 million at the box office worldwide, including RUB 122 million (USD 3.4 million) in Russia.

In 2012 and 2013, feature-length series commissioned by television companies continued to be released and distributed over various media and through online streaming services. Production was completed on 211 such series in 2012 (4,255 episodes) for a total length of 3,300 hours, while the volume of series production diminished somewhat in 2013, judging from an analysis of the films for which distribution certificates[56] were issued: 212 titles were released (3,015 episodes) for a total length of 2,300 hours.

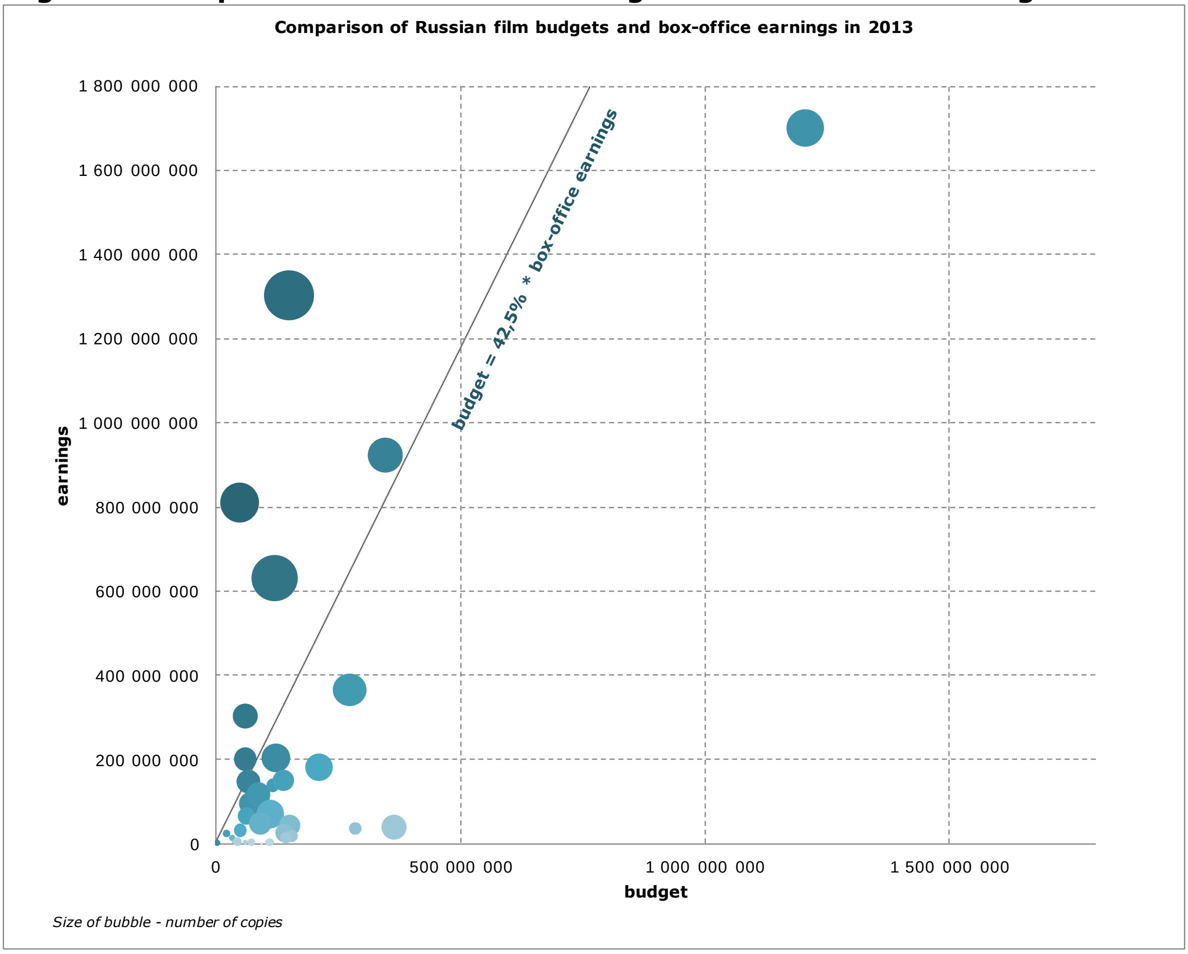
Figure 4. Comparison of Russian film budgets and box office earnings in 2012



Sources: Universe Consulting (the Movie Research project), Nevafilm Research

[56] Obtaining distribution certificates is not formally required in the case of films made for televised broadcasting. However, almost all of those films are later distributed through other channels and receive distribution certificates.

Figure 5. Comparison of Russian film budgets and box office earnings in 2013



Sources: Universe Consulting (the Movie Research project), Nevafilm Research

2.1.4. Animation

In 2012, production was completed on 105 animated films for a total length of 3,178 minutes, including series with a total of 433 episodes (regardless of the number of episodes, multi-episode television shows were counted as one title). Also produced (without receiving distribution certificates) were around 10.5 hours of animation to be shown on television and over four hours of animated films to be screened at festivals. Among the films produced, five were full length (*Buratino Returns [Vozvrashchenie Buratino], Wings [Ot vinta!], Adventures of the Good Soldier Svejk [Pokhozhdeniya bravogo soldata Shveika], The Snow Queen,* and *Three Heroes on Distant Shores).* Of those released during the period in question, 31 films (including 116 episodes) were made with state support, and their total length was 1,171 minutes (36.8% of the total length of titles produced). Funds allocated by the Ministry of Culture for the production of these films totalled RUB 287.9 million, with RUB 618.9 million coming from the Cinema Fund.

The following companies produced the largest volume of animated content: Smeshariki (546 min.), Melnitsa Animation Studio (218 min.), and KinoAtis (170 min.).

Table 8. Top 10 producers of animated films (by volume of content produced) in 2012

Producer/manufacturer	Length (min.)	Episodes	Titles
Smeshariki	546	55	9
Melnitsa Animation Studio	218	31	2
KinoAtis	170	34	1
Aeroplan	164	31	2
Masha i Medved (Masha and the Bear)	154	26	2
Tatarmultfilm	141	122	5
Animos Film Studio	115	4	4
Mirozdanie Film Company	113	11	2
VGIK-Debut Production Centre	102	20	10
Studiya Produserskogo Kino	97	9	3

Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture

The volume of animation produced by Russian film companies continued to grow in 2013. During that year, production was completed on 112 titles (series are counted as one title) with a total length of 3,681 minutes, including series incorporating a total of 390 episodes. Also produced (without receiving distribution certificates) were over 12 hours of animation to be shown on television and around one hour to be screened at festivals. The reduction in the volume of films made for festival screenings (without receiving distribution certificates) can be explained by the fact that a larger number of such films are receiving distribution certificates so that they can be sold on various media. The number of full-length animated films released also increased to seven (*Space Dogs 2: Moon Adventures [Belka i Strelka. Lunnye prikliucheniya], Prince Ivan and the Grey Wolf 2, King Solomon's Seal [Pechat Tsarya Solomona], Parrot Club [Popugay Club], The Secret of Sukhareva's Tower. The Warlock of Equilibrium [Taina Sukharevoi bashni. Charodei ravnovesiya], How to Catch a Firebird's Feather [Kak poimat pero Zhar-Ptitsy],* and *Ku! Kin-dza-dza).* State support for production was received by 55 of the films released (by title; there were 135 episodes), for a total length of 1,512 minutes. Funding received by producers for work on these films totalled RUB 416.1 million from the Ministry of Culture and RUB 442.5 million from the Cinema Fund. This means that the total volume of state support for animated films completed in 2013 went down slightly in comparison with 2012. The change in the ratio of support rendered between the Ministry of Culture and the Cinema Fund is connected with the redistribution of authority between those two structures (changes are described in section *1.2.2. Federal Fund for Social and Economic Support to National Cinematography*).

The leading animated content producers for 2013 were Smeshariki (582 min.), Master-Film Studio (307 min.), and Melnitsa Animation Studio (298 min.).

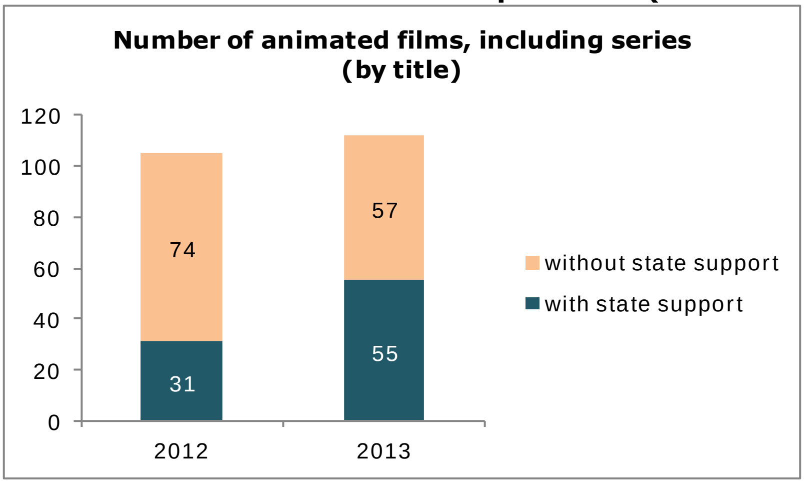
Table 9. Top 10 producers of animated films (by volume of content produced) in 2013

Producer/manufacturer	Length (min.)	Episodes	Titles
Smeshariki	582	53	6
MASTER-FILM STUDIO	307	26	10
Melnitsa Animation Studio	298	51	2
AA Studio	240	48	2
CTB Film Company	237	7	3
Moscow Animation Studio	156	7	2
Aeroplan	153	28	2
KinoAtis	143	13	3
Masha i Medved (Masha and the Bear)	108	17	2
A. Tatarsky's Pilot Animation Studio	108	8	8

Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture

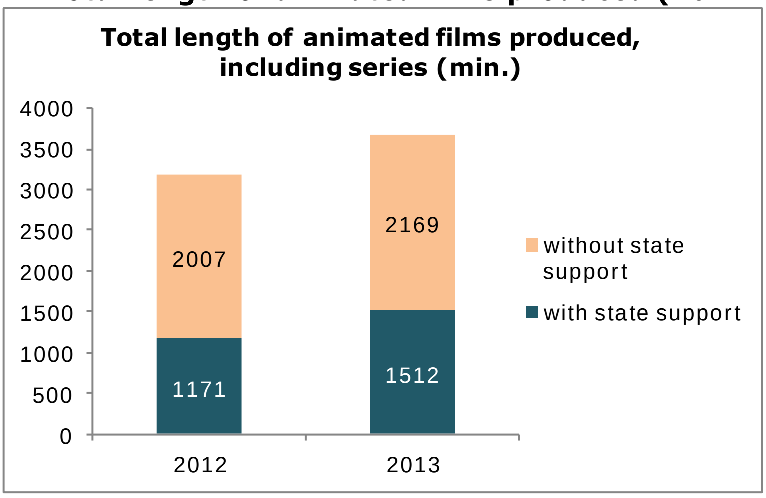
It should be noted that the effectiveness of state support of animated film production grew between films produced in 2012 and those produced in 2013. The percentage of films (per title) released with state support grew from 29.5% to 49%, and in terms of total length, that percentage went from 36.8% to 41.1%, with 16% growth in the total length of films supported by the state. Also noteworthy is the fact that this was achieved while the state's spending to support production of one minute of animated content fell, from RUB 0.77 million to RUB 0.57 million.

Figure 6. Number of animated films produced (2012–2013)



Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture, Nevafilm Research

Figure 7. Total length of animated films produced (2012–2013)



Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture

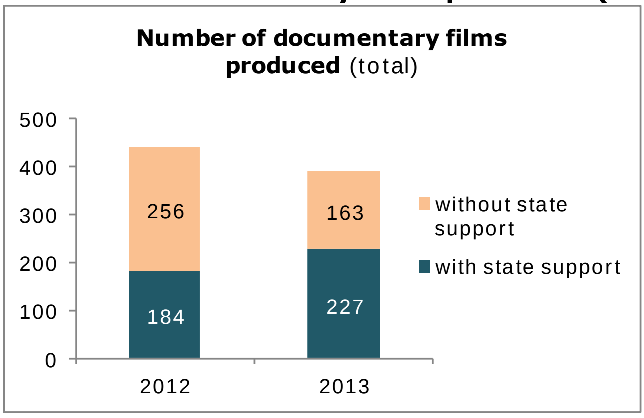
2.1.5. Documentary films

Due to a change in priorities with respect to state support of documentary films – with a shift in focus to putting out higher-quality content which is more in demand by audiences – there was a significant reduction during the period analysed in the numbers of films produced with state support in comparison with the 2010–2011 period. In 2012, 440 documentary films were produced (for a total length of 395.2 hours), of which 184 (total length of 133.1 hours) received state support totalling RUB 226.3 million. Among the films produced, 81 were full length, including 33 made with state support.

In 2013, production was completed on 390 documentaries (total length of 405.3 hours), of which 227 (167.7 hours) were made with state support totalling RUB 333.7 million. Of the films completing production this year, 87 were full-length, of which 44 received state support.

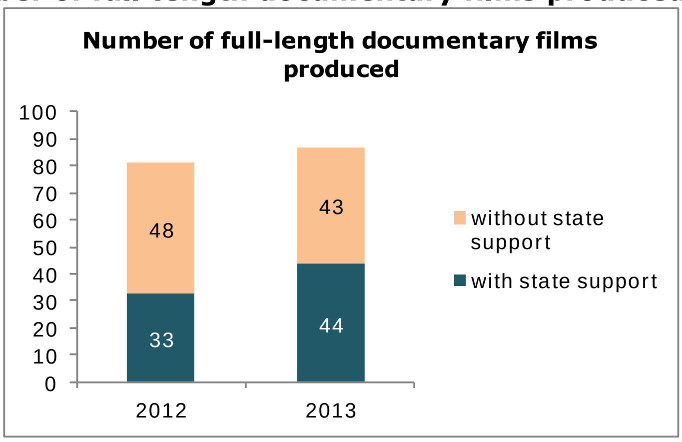
That means that in 2013, compared with 2012, there was slight (2.5%) growth in the total length of documentary films produced, while there was a 25.9% increase in the total length of films made with state support. The number of full-length documentaries supported by the state also grew by one third. In 2012, 18.3% of total state support went to the production of full-length documentary films completed that year; in 2013 that number grew to 27.6%.

Figure 8. Number of documentary films produced (2012–2013)



Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture, Nevafilm Research

Figure 9. Number of full-length documentary films produced (2012–2013)



Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture

Over these two years, 326 companies were involved in the production of documentaries, though 157 of those companies produced only one film during that period. However, given that films are counted by title, a small number of films produced does not mean that those companies should be regarded as unproductive. For example, several leaders in the producer ratings for length of content produced released just one or two titles per year, but these are multi-episode documentary films. At the same time, 31 producers released six or more films during these two years.

Table 10. Documentary film production companies per number of films released

Number of films released by a company	Number of companies that released the indicated number of films			Number of companies that released the indicated number of films with state support		
	2012	2013	Total for 2 years	2012	2013	Total for 2 years
1 film	113	124	157	65	69	79
2 films	62	46	73	42	36	52
3 films	21	15	35	5	9	22
4–5 films	14	20	30	3	14	18
6–10 films	9	4	24	1	0	11
over 10 films	1	1	7	0	0	1

Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture

Table 11. Top 10 producers of documentary films per number of films released

Company	2012	2013	Total
Centre of National Film	19	8	27
Vne vremeni (Outside of Time) Culture and Ethnography Foundation	11	12	23
St. Petersburg Documentary Film Studio	7	8	15
DC Film	6	7	13
Nashe Kino Association	8	4	12
Orthodox Encyclopaedia Cultural Fund	10	1	11
KinoArtel	6	5	11
Presidential Programmes Directorate	5	5	10
Gold Medium	4	6	10
Tochka Zreniya (Point of View)	6	4	10

Note: Data on the Centre of National Film include its affiliate Lennauchfilm (produced 10 films in 2012 with a total length of 454 min.)

Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture

Table 12. Top 10 producers of documentary films per length of films released (min.)

Company	2012	2013	Total
VIANZH PRODUCTION	0	3720	3720
Nashe Kino Association	1239	297	1536
VERSIYA Film Studio	768	747	1515
Cinema Prodakshn Production Centre	780	608	1388
Centre of National Film	867	367	1234
Aviator Productions	539	220	759
Orthodox Encyclopaedia Cultural Fund	713	39	752
VERSIYA Film Company	0	748	748
Leks Film Cinema Company	315	352	667
St. Petersburg Documentary Film Studio	283	364	647

Note: Data on the Centre of National Film include its affiliate Lennauchfilm (produced 10 films in 2012 with a total length of 454 min.)

Sources: Universe Consulting (the Movie Research project), Russian Federation Ministry of Culture

When analysing the top 10 producers according to length of films released, it must be kept in mind that only eight of the companies listed have large-volume orders from television companies in their portfolios, since the Centre of National Film and St. Petersburg Documentary Film Studio do not produce multi-episode films for television.

2.2. Principal players

2.2.1. Classification of Russian film producers

Those involved in the Russian film production market include producers and production companies, state and private film studios, and studios at institutions of higher education specializing in filmmaking. In all, as of the first half of 2014, there were around 450 film production companies active in the Russian market.

Table 13. Classification of film production companies

Type	Biggest representatives (total for 2012-2013)	Main market segments
Production companies designated by the Cinema Fund as leaders in the film production industry (2012–2013)	Bazelevs (TaBBaK), CTB Film Company, Art Pictures Studio, Nikita Mikhalkov's Studio TRITE, Direktsiya Kino, Central Partnership, Igor Tolstunov's Production Company, Enjoy Movies	Feature films
Independent production companies	Lunapark Productions, MG Media, Pavel Lungin Studio, Bulldozer Films Productions	Feature films
	Wizart Film, Melnitsa Animation Studio, Smeshariki, Master-Film Studio, AA Studio	Animated films
	Vne vremeni (Outside of Time) Culture and Ethnography Foundation, DC Film, Kinoartel, Magafilm Cinema Company	Documentary films
	Vianzh Productions, Nashe Kino Association, Versiya Film Studio, Cinema Prodakshn Production Centre	Documentary films for TV orders
State-owned film studios	Mosfilm, Lenfilm, Gorky Film Studio	Feature films
	The Centre of National Film, St. Petersburg Documentary Film Studio	Documentary films
Private film studios	Glavkino, Amedia, Russian World Studios (RWS)	Feature films
	Dalnevostochnaya Kinostudiya	Documentary films
Glavkino, Amedia, Russian World Studios (RWS)	The All-Russian State Institute of Cinematography (VGIK), St. Petersburg State University of Film and Television	Short films

2.2.2. Principal players in Russian film production with films in theatrical distribution

This list includes the Russian production companies whose films showed the best results in Russian distribution from 2010 to Q2 2013, as well as leading production companies which received support from the Cinema Fund for that period. The 'Number of films' heading indicates the number of the company's projects completed in the 2010–2013 period.

AR Films (Non-Stop Production)
Websites: http://www.a-r-films.com, http://www.nonstop-kino.ru/
Year founded: 2009 (AR Films), 2005 (Non-Stop Production)
Number of films in distribution: 5
Principal producer: Alexander Rodnyansky, Sergey Melkumov
Additional activities: theatrical distribution

Art Pictures
Website: http://www.art-pictures.ru/en/
Year founded: 1992
Number of films in distribution: 7
Principal producer: Fedor Bondarchuk, Dmitry Rudovskiy

Bazelevs (TABBAK)
Website: http://www.bazelevs.ru/
Year founded: 1994
Number of films in distribution: 8
Principal producer: Timur Bekmambetov
Additional activities: theatrical distribution

Central Partnership
Website: http://www.centpart.ru/en
Year founded: 1996
Number of films in distribution: 13
Additional activities: theatrical and TV distribution

Centre of National Film (CNF)
Website: http://www.cnf.ru/
Year founded: 1933
Number of films in distribution: 3
Principal producer: Vladimir Bazhin
Additional activities: film studio

CTB Film Company
Website: http://ctb.ru/en/
Year founded: 1992
Number of films in distribution: 20
Principal producer: Sergey Selianov
Additional activities: theatrical distribution

Direktsiya Kino
Website: http://www.rusproducers.com/Page/13861
Year founded: 2006
Number of films in distribution: 2
Principal producer: Anatoly Maksimov

Enjoy Movies
Website: http://enjoy-movies.ru/

Year founded: 2010
Number of films in distribution: 10
Principal producer: Georgiy Malkov

Glavkino
Website: http://glavkino.ru
Year founded: 2012
Number of films in distribution: 1 (*August. Eighth*)
Principal producer: Fedor Bondarchuk

Interfest (Real-Dakota)
Website: http://www.interfest.ru/
Year founded: 1975
Number of films in distribution: 8
Principal producer: Renat Davletyarov
Additional activities: organizing and holding
international and Russian film festivals in Russia and abroad

Koktebel
Website: http://www.koktebelfilm.ru/
Year founded: 2003
Number of films in distribution: 3
Principal producer: Roman Borisevich

Leopolis
Website: http://www.leopolis.ru/
Year founded: 2007
Number of films in distribution: 6
Principal producer: Sergey Livnev, Lev Nikolau

Melnitsa Animation Studio
Website: http://melnitsa.com/#/en/
Year founded: mid-1990s
Number of films in distribution: 5
Principal producer: Sergey Selianov

Monumental Pictures
Website: http://www.monumental-pictures.ru/
Year founded: 2007
Number of films in distribution: 3
Principal producer: Michael Schlicht

Nikita Mikhalkov's Studio TRITE
Website: http://www.trite.ru/
Year founded: 1987
Number of films in distribution: 5
Principal producer: Nikita Mikhalkov, Leonid Vereshchagin

Paradise Productions
Website: http://www.paradisegroup.ru/production/?lang=en
Year founded: 2003
Number of films in distribution: 6
Principal producer: Gevorg Nersisyan
Additional activities: theatrical distribution, exhibition

PROFIT (Igor Tolstunov's Production Company)
Website: http://www.profitkino.ru/
Year founded: 1995
Number of films in distribution: 5
Principal producer: Igor Tolstunov

Rekun Cinema
Website: http://www.racooncinema.com/
Year founded: 1996
Number of films in distribution: 4
Principal producer: Ilya Neretin

Rock Films
Website: http://rockfilm.ru/en/
Year founded: 1991
Number of films in distribution: 11
Principal producer: Alexey Uchitel

2.3. Principal trends

The Russian film industry, provided with sufficiently stable state support, continued to make steady progress in the 2012–2013 period. Filmmakers declared to be the leaders in Russian film production (from the point of view of receiving state support) are consistently accounting for over 80% of box office receipts for Russian films distributed in this country, and the number of films they release is also growing steadily, as is the number of films being released with no government support. The state film production financing system currently in place has allowed production budgets to grow without an increase in state funds allocated to support the film industry, and has led to an increase in the number of films paying for themselves in distribution.

In the opinion of the authors of the reform, further evolution of the principles governing state support of cinema – especially the 2013 introduction of a financing system based on loans – should lead to a growing number of films that pay for themselves in distribution.

Co-productions remain a problematic area. During the period under review, changes that took place in the system for financing co-productions (the transfer of that function from the Cinema Fund to the Ministry of Culture) halted the growth in the number of films produced as joint projects with foreign partners that had started in 2012.

In late 2013, news came of the sale of ProfMedia Group to Gazprom-Media Holding. Similarly, there was a change in the ownership of Central

Partnership (CPS), which created Central Partnership Studio in 2012 to make its own films. Before that, Central Partnership, one of the biggest Russian distributors, had financed and distributed films and series, while contracting out production work. According to current plans, all CPS film production will be carried out by its own studio by 2017.

Companies connected with Alexander Rodnyansky continued to make progress on the international market. Following the acquisition of German film production and distribution company A-Company, a further step towards integration with the global film industry was taken when, in 2013, A-Company teamed up with New Myth and Toonz Entertainment to create the Epiphany fund, with USD 200 million in capital funding. The purpose of the fund is to create its own content and to work on the production of franchise films with Hollywood majors, with a focus on worldwide distribution. [57]

Russian World Studios (RWS) also saw a change in ownership, with Sistema Mass Media (SMM) transferring a 49% share to RWS CEO Yuri Sapronov at the end of 2013. Sapronov received stock in the film company in exchange for his 12.5% share in SMM itself.

Crowdfunding projects to support the making of animated, documentary, and short films saw further development. Of particular significance for the industry is the crowdfunding project which is raising money for *Panfilov's 28 [28 Panfilovtsev].* Work began on the film in 2013. By October 2014, more than RUB 22 million of the RUB 60 million required had been raised.

[57] A Company participated in the creation of the new fund – http://cinemaplex.ru/2013/06/18/a-company-epiphany.html (Russian only).

CHAPTER 3. FILM PRODUCTION INFRASTRUCTURE

3.1. Film studios

As of 2014, the production capacity of the Russian film industry includes over 100 sound stages. The five biggest film studios – Amedia, Mosfilm, Glavkino, CineLab (including My Studio), and the Centre of National Film (including its affiliate Lennauchfilm) – each own between 7 and 16 sound stages.

All the major film studios rent out their sound stages, and also offer services (either directly or through closely affiliated organizations) to provide their clients with the equipment they need during filming: cameras and other filming equipment, as well as sound and lighting equipment. Mosfilm, the oldest state-owned film studio, and the private studio Amedia, launched in 2004, own a wide variety of costumes and props. All the industry leaders also provide post-production services. In this area, there is frequent cooperation between private organizations. For instance, Kinofabrika No. 2 only rents out sound stages, while the companies Bogdan i Brigada and Rentacam, which are located nearby, provide various film services. CineLab capitalizes on the capacity of its distribution base with sound stages for filming located on the grounds of its partner, My Studio.

Table 14. Russian film studios in 2013 by number of sound stages

No.	Studio	Location	Number of sound stages	Number of sound stages of different sizes, m^2				Number of location sets	Number of chroma key studios
				under 400	400–800	800–1000	>1000		
1	Amedia	Moscow	16	3	8	3	2	1	1
2	Mosfilm	Moscow	12	3	3	3	3	3	1
3	Glavkino	Moscow	10	5	0	1	4	-	2
4	CineLab (My Studio)	Moscow	9	1	3	3	2	-	1
5	Centre of National Film and Lennauchfilm	Moscow	7	4	3	-	-	1	1
6	Russian World Studios	St. Petersburg	6	2	4	0	0	-	1
7	TV-Film (Novella)	Moscow	5	0	0	5	0	-	-
8	Gorky Film Studio	Moscow	5	0	4	0	1	-	-
9	Lenfilm	St. Petersburg	4	-	2	1	1	-	1
10	KINOLINIYA	Moscow	4	1	1	-	2	-	-
11	TeleCity	Moscow	4	-	1	1	2	-	-
12	Kinofabrika No. 2	Moscow	3	1	1	1	-	-	1
13	Magic Film	Moscow	3	-	2	1	-	-	1
14	Chromakey. Center	Moscow	3	3	-	-	-	-	3
15	R-Studios	Moscow	2	2	-	-	-	-	2
16	A v kvadrate	Moscow	2	2	-	-	-	-	1
17	N. Minervin Krasnodar Film Studio	Krasnodar	2					-	-

No.	Studio	Location	Number of sound	Number of sound stages of different sizes, m^2				Number of	Number of
18	JV Production	Moscow	2	-	1	1	-	-	1
19	St. Petersburg Documentary Film Studio	St. Petersburg	2	2	-	-	-	-	1
20	Sverdlovsk Film Studios	Yekaterinburg	1	-	1	-	-	-	1
21	SL-Studio	Moscow	1	1	-	-	-	-	1
22	2Mint Studio	Moscow	1	1	-	-	-	-	1
23	WayFilm	Moscow	1	-	-	-	1	-	1
24	Nizhne-Volzhskaya Newsreel Studio	Saratov	1					-	-
25	West-Siberian Film Studio	Novosibirsk	1						
26	Kazan Film Studio	Kazan	n/a						
27	North-Caucasus Newsreel Studio	Vladikavkaz	n/a						
28	Ugra-Film	Khanty-Mansiysk	n/a						
29	Dalne-vostochnaya Kinostudiya	Khabarovsk	n/a						
30	Russian Central Film and Video Studio for Newsreels, Documentary and Educational Films	Moscow	n/a						
31	Badge of Honour Far-Eastern Studio for Newsreels	Khabarovsk	n/a						

3.1.1. State-owned studios

Many of the oldest state-owned film studios located outside contemporary film production centres (Moscow and St. Petersburg) have currently fallen on hard times. Large plots of land and many buildings previously used for motion picture production on film are no longer needed and are becoming unfit for use. Often, the existing sound stages at those studios require repairs, but due to a lack of internal or external funding sources, those repairs cannot be carried out. Most state-owned film studios that are managing to stay afloat and are still engaged in production in one way or another tend to specialize in documentary films, which do not require extensive production facilities, and they do not provide film production services to outside organizations.

Mosfilm remains the most successful state-owned film studio, filming its own feature films and series, and also providing a broad range of film production services to other companies.

In recent years, Russia's two oldest film studios have taken important steps towards future development. For instance, **Gorky Film Studio** is working to improve its own film production situation. In autumn 2013, a ten-year plan entitled 'Concept for Studio Development, 2013–2023' was adopted. As part of that project, the decision was made to create the National Centre for Children's and Family Films, which would make use of the studio's production facilities.[58] The Centre intends to concentrate on making socially significant films for children and young people with support from the state, the film industry, and private business.

Persistent losses and mounting debts at **Lenfilm**, the oldest Russian film studio, made it necessary to identify a concept for that studio's future development. In early autumn 2012, a public discussion was initiated on two possible ways to save the film company without simply shutting down the studio. The first concept for resurrecting the company proposed using Lenfilm as a foundation on which to build a modern, universal film production centre, which would require the studio to be reconstructed and re-equipped, at a cost to the federal budget of RUB 2 billion, which would not be reimbursed. The goal of the second concept was to transform the studio complex into a production centre which, aside from providing equipment and sound stages, would also attract projects, possibly with the support of the Cinema Fund.[59] That concept would require an investment of RUB 1.5 billion, most of which would be repaid.

A majority of the public council supported the second concept, which did not involve the kind of restrictions inherent in the first scenario's focus on original, children's, historic, and academic films.[60] One month after the path for Lenfilm's development was chosen, the government replaced the studio's management team. Eduard Pichugin (founder of the national cinema chains Kronverk Cinema and Kino City) took up post as the studio's General Director, and film director Fedor Bondarchuk came in as Chairman of the Board of Lenfilm Studios.[61]

One year later, according to Pichugin, the situation at Lenfilm had started to improve. The studio reduced its debt, two of the three films scheduled to be finished in 2010 (*Gift [Dar],* also known as *My Grandmother is a Witch [Moya babushka vedma]*, and *Wings [Krylya]*) were completed, and new projects were in the works, three of which had qualified to receive state subsidies.[62] Lenfilm and VTB Bank signed a contract that extends the studio a credit line of RUB 1.5 billion, which will be spent on repairing sound stages and other working premises, allowing the studio to start work on new projects. Modern film cameras, lighting equipment, and other required equipment will be purchased, instead of being hauled in from Moscow as was being done previously. The film

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[58] Centre for Children's and Family Films to be created at Gorky Film Studio. // *ProfiCinema*. 20 September 2013.

[59] Lenfilm: What's the scenario? // *Rossiiskaya Gazeta*. 12 September 2012.

[60] Lenfilm of horrors // *Kommersant*. 26 November 2012.

[61] Rosimushchestvo approves proposed Lenfilm management team // RIA Novosti. 12 October 2010.

[62] Lenfilm General Director Eduard Pichugin: "The studio has paid off all its operating debts, is buying new equipment, and is sending employees to intern in Hollywood" // Interfax. 3 October 2013.

company plans to concentrate its entire complement of film production equipment at Lenfilm.

The development concept that was adopted stipulated that the rights to the Gold Collection of films would be returned to Lenfilm (these had previously been transferred to the Consolidated State Film Collection, which was then merged with the State Film Fund, Gosfilmofund), but this has not yet been resolved. The Gold Collection is the provisional name for a selection of around 100 of the most popular, in demand, and beloved motion pictures produced by the studio in the past, though there is discussion of returning the rights to all films made by Lenfilm before 2001, about 1,500 in total. Transferring to the studio the rights to its own films is an extremely important step in resurrecting the company, which has been stalled in large part due to legal complications. After all, the studio could have reconstructed and restored sound stages with the regular monetary income from televised screenings of those films. For comparison, Mosfilm head Karen Shakhnazarov says that royalties from his studio's films now make up approximately 30% of all income, allowing that company to make a consistent profit.[63]

In 2011, a series of open letters to the Russian President helped to correct a similar situation at **Soyuzmultfilm**, and a collection of films was transferred to that studio. At that time, Nikolai Makovsky was the studio's Acting Director. The studio's debts are currently being substantially reduced, the studio is being reorganized and modernized, and plans are in place to move to new premises and continue improving production processes. Twelve films are currently in production at the studio, with 160 minutes of animation being readied for release in 2014.[64]

In March 2014, screenwriter and producer Andrei Dobrunov was appointed Director of Soyuzmultfilm. The primary tasks assigned to him by the government are moving the studio into a new building, which first needs to be refitted both inside and out (remodelling work is scheduled to be finished by February 2015[65]), and actively scaling up production.

Sverdlovsk Film Studios, a joint stock company fully owned by the state, is cooperating with the Strana Group to search for a new focus for its business. Aside from working to develop its film school, it has opened a film cluster known as Sverdlovsk Film Studios.

For over eight years now, efforts have been ongoing to sell a 100% package of shares in **North-Caucasus Newsreel Studio** (currently owned by the state) through auction, with subsequent reclassification of the studio. No buyers have been found, and the studio has essentially ceased to operate. Late in 2013, the governing plenum of the Cinematographers Union of Russia considered issues relating to the future of documentary filmmaking and decided it would be wise to resurrect the studio. The Union approached the Russian Government with that

[63] Lenfilm unable to gather collection // *Kommersant*. 26 May 2014.
[64] Soyuzmultfilm website – www.new.souzmult.ru/.
[65] Soyuzmultfilm's new building to be remodelled by February 2015 // RIA Novosti. 28 March 2014.

request[66], but as yet, there is no clear information regarding what the future will hold for that studio.

3.1.2. Private studios

One of the biggest private film and television groups in Russia is **Glavkino**, which started operations in the first quarter of 2012. Glavkino's main activities include production and post-production. When the company was founded, it was planned that 40% of the studio's capacity would be focused on cinema. But the rising number of digital channels and the need to include among their broadcasts new, original, and most importantly high-quality TV content has resulted in the current situation where nearly 90% of Glavkino's efforts go into television.[67] The most popular TV channels in the country make use of the studio's services.

Development has resumed at **Russian World Studios** (RWS), part of the Sistema Mass Media Group, which manages Sistema's media assets. In August 2012, Sistema was forced to reject a merger with Lenfilm. It then shut down the RWS studio in Moscow. At the same time, the company renounced plans to build a second studio in St. Petersburg due to insufficient use of studio capacity and a declining number of orders. By 2014, RWS had overcome the crisis, and it has now expanded its offerings of post-production (including colour correction) and prop design services and has also increased the volume of camera, lighting, and video technology equipment it provides. The studio's main focus is on filming for television, but each year the studio hosts shooting for several feature films for theatrical distribution as well.

3.1.3. Plans for new studios

Active discussions are also underway regarding several plans to build new film studios in the regions. For instance, in **Ulyanovsk Region**, one of 50 investment projects taking shape in the social infrastructure realm is the setting up of a film studio on the banks of the Volga. Local company VolgaKino and its European partner have stepped forward as investors. Investors believe that Ulyanovsk Region is very well suited to the shooting of historical films: it has the boundless Volga landscapes, which are perfect stand-ins for ocean backdrops (the river is around 40 km across at its widest point), as well as picturesque steppes and forests.[68] Plans to build a film studio in **Kaluga Region** were also announced at the beginning of 2014 by Aleksei Nikitenko, head of the Ferzikovsky District administration. It is planned that the construction site will be located in the village of Dugna. Negotiations with unnamed Moscow investors have already brought success. Most of the shooting done there will be for films with historic or patriotic content.[69] The construction of a sound stage

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[66] Proceedings of the 4th Governing Plenum of the Cinematographers Union of Russia. //Electronic resource http://ascinemadoc.ru/vnimayu-chlenov-soyuza-kinematografistov-rossii/ (Russian only).
[67] I'm betting on cinema // *Dorogoe udovolstvie*. 31 January 2013.
[68] Film studio to be built in Ulyanovsk // *Rossiiskaya Gazeta*. 21 October 2013.
[69] Ferzikovfilm Studio to be built outside Kaluga // *Stroitelstvo*. 22 January 2014.

complex in **Moscow** by Russian–Ukrainian production and distribution company Star Media is at the pre-project stage. In summer 2014, Moscow's Urban Planning and Land Use Commission gave approval for a 12,000 m^2 complex, which could become one of the largest in Russia; however those behind the project have yet to announce a start date for construction work.

It also should be noted that construction projects which have previously been discussed, and even started, to build regional studios in Kolomna, Konstantinovo, and Perm have been halted.

Table 15. Services provided by Russian film studio complexes

No.	Studio name	Location	Ownership	Production stage								Post-production stage							Total number of services
				Sound stages	Cameras	Operating equipment	Light	Sound	Transport	Props	Set design	Film processing	Editing	Sound studio	Computer graphics	Television film equipment	Printing of film copies	Digital mastering, DCP, KDM	
1	Mosfilm	Moscow	state	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	15
2	CineLab (My Studio)	Moscow	private	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	15
3	Gorky Film Studio	Moscow	state	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	14
4	Sverdlovsk Film Studios	Yekaterinburg	state	+	+	+	+	+	+	+	+	-	+	+	+	+	-	+	13
5	Centre of National Film and Lennauchfilm	Moscow	state	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	12
6	Russian World Studios	St. Petersburg	private	+	+	+	+	+	+	+	+	-	+	+	+	-	-	+	12
7	Lenfilm	St. Petersburg	state	+	+	+	+	+	+	+	+	-	+	+	+	+	-	-	12
8	Glavkino	Moscow	private	+	+	+	+	+	+	-	-	-	+	+	+	-	-	+	10
9	JV Production	Moscow		+	+	+	+	+		+	-	-	+	+	+	-	-	-	9
10	St. Petersburg Documentary Film Studio	St. Petersburg	state	+	+	+	+	+	-	+	+	-	+	-	+	-	-	-	9
11	R-Studios	Moscow	private	+	+	+	+	+	-	-	-	-	+	+	+	-	-	+	9
12	TV-Film (Novella)	Moscow	private	+	+	+	+	+	+	-	-	-	+	+	+	-	-	-	9
13	Amedia	Moscow	private	+	+	+	+	+	-	+	+	-	+	+	-	-	-	-	9
14	N. Minervin Krasnodar Film Studio	Krasnodar	private	+	+	+	+	+	-	-	-	-	+	+	+	+	-	-	9
15	A v kvadrate	Moscow	private	+	+	+	+	+	-	-	-	-	+	+	+	-	-	-	8
16	WayFilm	Moscow	private	+	+	+	+	+		+	+	-	+	-	-	-	-	-	8
17	Kinofabrika No. 2	Moscow	private	+	+	+	+	+	+	+	+	-	-	-	-	-	-	-	8
18	Nizhne-Volzhskaya Newsreel Studio	Saratov	state	+	+	+	-	+	-	-	-	-	+	+	+	-	-	-	7
19	Far-East Newsreel Studio	Khabarovsk	state	-	+	+	+	+	-	-	-	-	+	+	+	-	-	-	7
20	SL-Studio	Moscow	private	+	+	+	+	-	+	-	-	-	-	-	-	-	-	-	5
21	Chromakey.Center	Moscow	private	+	+	+	+	-		-	-	-	-	-	-	-	-	-	4
22	KINOLINIYA	Moscow	private	+	+	+	+	-	-	-	-	-	-	-	-	-	-	-	4
23	2Mint Studio	Moscow	private	+	-	-	+	+	-	-	-	-	-	-	-	-	-	-	3
24	Magic Film	Moscow	private	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
25	West-Siberian Film Studio	Novosibirsk	state																
26	Kazan Film Studio	Kazan	state																
27	North-Caucasus Newsreel Studio	Vladikavkaz	state																
28	Dalnevostochnaya Kinostudiya	Khabarovsk	private																
29	TeleCity	Moscow	private																
30	Russian Central Film and Video Studio for Newsreels, Documentary and Educational Films	Moscow	state																
31	Ugra-Film	Khanty-Mansiysk	private																

3.2. Film service companies

Service companies are firms which provide film production services but do not have their own filming stages. They are all private and almost all are located in Moscow and St. Petersburg. One successful company, 29 February, is located in Yekaterinburg. Most service companies provide services during both the production and post-production stages. A quarter of all companies only rent out equipment needed for shooting.

The most widely represented services in the market are editing and computer graphics (provided by about 15 companies), as well as production and lighting equipment rentals (13 companies). Specialized vehicles (mobile lighting trailers with generators, makeup trailers, camera vehicles, etc.) can be rented from seven companies in Moscow and from Studio VEK in St. Petersburg.

Mastering and printing of digital copies in DCP format is provided by the digital laboratories DCP24, Nevafilm Digital, 29 February, Cinelex, ProDigi, Central Production International Films, and the company Conveyor. Mosfilm also has a special department that masters and remasters digital film prints (DSP/DCI). Several films with digital laboratories do not provide services commercially. The distributor Cinema Prestige, for example, uses its laboratory only for its own business.

Due to the film sector's transition to digital production, Salamandra, the biggest private film processing laboratory, was no longer able to compete and went out of business in early 2013.

The emergence of new theatrical sound formats has not passed Russia by either: by autumn 2014, there were already four sound studios in Russia providing dubbing services in Dolby Atmos format (Central Partnership Production, Central Production International Films, CineLab, and Nevafilm) and one in Barco Auro format (Nevafilm).

Aside from the services listed in the table, many service companies also work in other areas, including product placement, dubbing into Russian, casting, equipment sales, and, of course, producing their own films, series, and commercials.

Table 16. Services provided by Russian film service companies

No.	Service company name	Production stage					Post-production stage						Total number of services
		Cameras	Operating equipment	Light	Sound	Transport	Film processing	Film editing	Recording studio	Computer graphics	Printing of copies on film	Digital mastering, DCP, KDM	
1	29 February	+	+	+	+			+	+	+		+	8
2	RUmedia	+	+	+		+		+	+	+			7
3	Studio VEK	+	+	+		+		+	+	+			7
4	G-BRO	+	+	+				+		+			5
5	Cinelex							+	+	+		+	4
6	X-Ray	+	+	+		+							4
7	Bogdan i Brigada		+	+	+	+							4
8	Kinoprogramma XXI Vek (21st Century Cinema Programme)	+	+	+				+					4
9	Rentacam	+	+	+		+							4
10	Baselevs							+	+	+			3
11	HHG	+		+				+					3
12	PS TVC							+		+			3
13	Russian Film Group							+	+	+			3
14	AST	+	+	+									3
15	IMT Group		+	+		+							3
16	Nevafilm								+			+	3
17	Central Partership Production							+	+	+			3
18	Central Production International Films								+			+	2
19	Midi Cinema (Melnitsa)								+	+			2
20	CineSoft							+		+			2
21	Conveyor										+	+	2
22	DCP24											+	1
23	ProDigi											+	1

3.3. Trends in the film production services market

As of mid-2014, there are around 110 sound stages in operation in Russia. The majority of state-run film studios (with the exception of Mosfilm) still have ageing equipment. They require modernization and an up-to-date approach to business processes. Therefore, many regional, state-owned film studios are occupied to varying degrees with their own productions (usually documentary films). They have very poor production facilities and do not provide services to third parties.

Attempts made in 2010–2011 to launch co-productions within the framework of public-private partnerships (in which modern complexes providing post-production services would be built on state studio sites, with the assistance of outside companies) were so unsuccessful that not a single partnership was ever legally established.

However, during the past two years, Glavkino (a modern production complex with 10 sound stages) was opened, and several smaller sound stage complexes were established.

Apart from studios, a large number of film service companies operating on the market do not have their own sound stages. The majority of them are located in Moscow and St. Petersburg. At the same time, digital mastering and digital replication studios have seriously begun to crowd out companies working with film prints recently, as a result of which one of the leading companies in colour correction and film printing services, Salamandra Laboratory, shut down.

The central problems in the sector remain the ageing film production base at the state-owned studios and the decision of large film studio complexes with high numbers of sound stages to focus increasingly on producing content for television. The market is also suffering from a lack of modern film stages outside Moscow and St. Petersburg, and insufficient numbers of qualified employees.

It should be noted that the boom in investment projects in the 2008–2010 period had practically no results. Many projects announced at that time have been stalled or dropped altogether.

3.4. Principal players on the production services market

3.4.1. Film studios

2Mint Studio
Website: http://2mint.ru/index.php
City: Moscow
Address: 6A/10 ul. Letnikovskaya
Email: rent@2mint.ru
Telephone: +7 (495) 509-20-56
Form of ownership: private

A Squared
Website: http://a-2-a.ru/
City: Moscow
Address: 12 Preobrazhenskaya pl.
Email: mail@a-2-a.ru
Telephone: +7 (495) 544-76-50
Form of ownership: private

Amedia (Media City)
Website: http://amediastudio.ru/
City: Moscow
Address: 5/3 ul. Novoostapovskaya
Email: mail@amediastudio.ru
Telephone: +7 495 744-16-16
Year founded: 2004
Form of ownership: private

Badge of Honour Far-Eastern Studio of Newsreel (Unitary Enterprise)
City: Khabarovsk
Address: 74 ul. Karla Marksa
Telephone: +7 (4212) 45-23-21; +7 (4212) 69-43-89
Year founded:
Form of ownership: state

Centre of National Film and Lennauchfilm
Websites: http://www.cnf.ru, http://lennauchfilm.ru/
City: Moscow, St. Petersburg
Address: 16 Valdayskiy proyezd, Moscow; 4 ul. Melnichnaya, St. Petersburg
Email: cnf@cnf.ru
Telephone: +7 (495) 455-92-13
Year founded: 1933
Form of ownership: state

Chromakey.Center
Website: http://chromakey.center/
City: Moscow
Address: Office 503-2, 55/31 ul. Aviamotornaya, Lefortovo
Email: info@chromakey.center
Telephone: +7 (495) 999-53-90
Year founded: 2013
Form of ownership: private

CineLab Group (including My Studio)
Websites: http://www.cinelab.ru, (http://www.kinodomms.ru/)
City: Moscow
Address: 65/5 Leningradskoye shosse (12 ul. Podyemnaya)
Email: info@cinelab.ru (mystudio@inbox.ru)
Telephone: +7 (495) 626-11-77
((925) 500-2887, (925) 507-2945 – My Studio)
Year founded: 2001
Form of ownership: private

Dalnevostochnaya Kinostudiya
Website: http://vk.com/dvkinost
City: Khabarovsk
Address: 7 ul. Sanitarnaya, Office 212
Email: xyz64@mail.ru
Telephone: (4212) 746790, +7 (909) 844-6871
Year founded: 2007
Form of ownership: private

Glavkino
Website: http://glavkino.ru
City: Moscow

Address: Novorizhsky shosse, km 7
Email: info@glavkino.ru
Telephone: +7 (495) 225-58-83
Year founded: 2012 (first stage of construction completed)
Form of ownership: private

Gorky Central Film Studio for Youth and Children's Films
Website: http://www.gorkyfilm.ru
City: Moscow
Address: 8 ul. S. Eyzenshteyna
Email: secretary@gorkyfilm.ru
Telephone: +7 (499) 181-04-34 – switchboard
Year founded: 1915
Form of ownership: Open Joint Stock Company (Russian OAO) with 100% state capital

JV Production
Website: http://www.jvpro.ru/
City: Moscow
Address: 8 ul. Sergeya Eyzenshteyna
Email: dvoitenko@jvpro.ru; tgurov@jvpro.ru
Telephone: +7 (965) 362 53 55; +7 (903) 974 95 73
Form of ownership: private

Kazan Film Studio
City: Kazan
Address: 98 ul. Vosstaniya
Telephone: +7 (843) 542-28-20, 542-24-08, 212-55-36
Year founded: 1932
Form of ownership: state

Kinofabrika No. 2
City: Moscow
Address: 15/7 5th Donskoy pr.
Email: kinofabrika2@mail.ru
Telephone: +7 (903) 679-99-94, +7 (903) 977-64-52
Form of ownership: private

KINOLINIYA
Website: http://kl-pro.ru/
City: Moscow
Address: 59 ul. Kavkazsky bulvar
Email: simonovvy@rambler.ru
Telephone: +7(495) 971-18-93 (security), +7 (905) 533-52-52 (Dep. Dir. Albina Viktorovna)
Form of ownership: private

Lenfilm Studio
Website: http://www.lenfilm.ru

City: St. Petersburg
Address: 10 Kamenoostrovsky pr.
Email: info@lenfilm.ru
Telephone: +7 (812) 603-29-24
Year founded: 1918
Form of ownership: Open Joint Stock Company (Russian OAO) with 100% state capital

Magic Film
Website: http://www.magicfilm.ru/
City: Moscow
Address: 16 ul. Viktorenk
Email: studio@magicfilm.ru
Telephone: +7 (495) 974 79 94
Year founded: 2006
Form of ownership: private

Mosfilm Cinema Concern
Website: http://www.mosfilm.ru
City: Moscow
Address: 1 ul. Mosfilmovskaya
Email: referent@mosfilm.ru
Telephone: +7 (499) 143-9238; +7 (499) 143-9856; +7 (495) 705-9303 - front office
Year founded: 1920
Form of ownership: state

N. Minervin Krasnodar Film Studio
City: Krasnodar
Address: 279 ul. Severnaya, 1st floor
Email: wetka@inbox.ru
Telephone: +7 (961) 531-29-40
Form of ownership: private

Nizhne-Volzhskaya Newsreel Studio
City: Saratov
Address: 43 ul. Oktyabrskaya
Telephone: (8452) 23-22-82, 23-73-16, 23-73-38
Year founded:
Form of ownership: state

North-Caucasus Newsreel Studio
City: Vladikavkaz
Address: 5 Moskovskoye shosse
Form of ownership: state

Novella Group (TV-Film Creative Association)
Websites: http://www.tto-novella.ru/, http://www.tv-film.tv/
City: Moscow

Address: M. Kozhukhovskaya, Sintez Business Park, 2/21 ul. Ugreshskaya, 4th Floor.
Email: info@tto-novella.ru
Telephone: +7 (495) 647-13-13
Year founded: 2000
Form of ownership: private

R-Studios
Website: http://r-studios.ru/
City: Moscow
Address: 9 ul. Podyemnaya
Email: connect@r-studios.ru (sound stage service)
Telephone: +7 (916) 581-97-56 (Yekaterina Konovalova)
Form of ownership: private

Russian Central Film and Video Studio for Newsreels, Documentary and Educational Films
City: Moscow
Address: 11/1 Kulakov pereulok
Telephone: +7 (495) 686-13-09
Year founded: 1927
Form of ownership: state

Russian World Studios
Website: http://rustudios.ru/
City: St. Petersburg
Address: 9A ul. Generala Khruleva
Telephone: +7 (812) 600-03-01
Email: sales@rwstudio.com
Year founded: 1998
Form of ownership: private

SL-Studio
Website: http://slstudio.spb.ru/
City: Moscow
Address: 2 Irinovsky pr.
Telephone: +7 (911) 233-88-52, +7 (921) 943-26-73
Year founded:
Form of ownership: private

St. Petersburg Documentary Film Studio
Website: http://www.cinedoc.ru; http://www.lendoc.ru/; https://vk.com/lendoc; https://vk.com/auditoriaspace
City: St. Petersburg
Year founded: 1932
Address: 12 nab. Kryukova kanala
Email: krukovkanal12@gmail.com
Telephone: +7 (812) 714-5312
Form of ownership: state

Sverdlovsk Film Studios
Website: http://sverdlovskfilmstudios.com/
City: Yekaterinburg
Address: 50 prospekt Lenina B, Zh, and D
Email: info@stranamedia.com
Telephone: +7 (343) 350-00-13
Year founded: 1943
Form of ownership: state

TeleCity
Website: http://www.telealliance.ru
City: Moscow
Address: 33 ul. Klary Tsetkin
Telephone: +7 (495) 617-03-25
Year founded: 2007
Form of ownership: private

Ugra-Film
City: Khanty-Mansiysk
Address: 4 ul. Gagarina
Year founded: 2003
Form of ownership: private

Way Film Company
Website: http://www.waycompany.ru/
City: Moscow
Address: 1/6 Partiyniy pereulok
Email: way.pro@mail.ru, sintao77@gmail.com
Telephone: +7 (495) 785-04-51 (office)
Form of ownership: private

West-Siberian Film Studio
Website: http://www.zskino.narod.ru/
City: Novosibirsk
Address: 122 ul. Nemirovicha-Danchenko
Email: zskino@ngs.ru
Telephone: +7 (383) 346-12-10; +7 (383) 346-12-12
Form of ownership: state

3.4.2. Cinema service companies

29 February
Website: http://29f.org
Year founded: 2004
City: Yekaterinburg
Principal focus of activities:
Arrangement of film production for TV and cinema as well as animated films; computer graphics and special effects; arrangement and provision

of sound-stage and on-site filming; production of ads and video clips; editing and colouring work.

ACT (Film Facilities Agency Limited)
Website: http://www.actfilm.ru/
Year founded: 1999
City: St. Petersburg
Principal focus of activities:
Rental of filming equipment.

Bazelevs Group
Website: http://www.bazelevs.ru/
Year founded: 1994
City: Moscow
Principal focus of activities:
Full-cycle film production (producing, selection of outdoor locations for filming, casting, technical facilitation of filming in Russia and abroad), full spectrum of post-production services (editing, voice-overs, computer graphics and animation, special effects for film and video).

Bogdan i Brigada
Website: http://www.bogdanibrigada.ru/
Year founded: 2000
City: Moscow
Principal focus of activities:
Rental of filming equipment and transportation.

Central Partnership Production (NTV-Kino)
Website: http://cp-pro.ru/
Founded in: 2010
City: Moscow
Principal focus of activities:
Re-recording studio (including Dolby Atmos), dubbing, sound effects, editing, colour correction, CGI.

Central Production International Films
Website: http://www.centralize-it.com/, http://www.centralsound.ru/
Founded in: 1997
City: Moscow
Principal focus of activities:
Voice and sound recordings, editing, foley, sound design, 2.0 and 5.1 outputs, Atmos format, dubbing localization, subtitles, TV mastering, digital mastering, packaging, DCP replication, managing KDM.

Cinelex
Website: http://cinelex.ru/
City: Moscow
Principal focus of activities:

Editing of films, trailers, music videos, and advertising reels; computer graphics; colour correction; project design; sound studio.

CineSoft
Website: http://www.cinesoft.ru
Year founded: 2009
City: Moscow
Principal focus of activities:
Development of software for media content production and distribution.

Conveyer
Founded in: 2007
City: Moscow
Principal focus of activities:
Film processing, Digital Intermediate, 35mm duplication, digital mastering and duplication (DCP).

DCP24
Website: https://www.dcp24.ru/
Year founded: 2009
City: Moscow
Principal focus of activities:
Film mastering for digital exhibition, DCP replication, delivery of copies to cinemas, KDM.

G-BRO (formerly known as Cinematronic)
Website: http://cinematronic.ru
Year founded: 2003
City: St. Petersburg
Principal focus of activities:
Video production (advertising clips, presentation films, music videos); multi-camera shooting, online video broadcasting, equipment rental.

HHG Film Company
Website: http://www.hhg.ru/
Year founded: 1998
City: St. Petersburg
Principal focus of activities:
Commercial film and video production, arrangement and provision of services such as filming, editing, film promotion, organization of screenings, supporting student film, rental of film equipment, non-commercial and art activities.

International Movie Technic (IMT)
Website: http://www.imt-group.ru/
City: Moscow
Principal focus of activities:
Lighting and camera equipment rental.

Kinoprogramma XXI Vek (21st Century Cinema Programme)
Website: http://www.kp21vek.ru/
Year founded: 2000
City: Moscow
Principal focus of activities:
Film and video production (feature, documentary, and presentation films, advertising clips), editing, equipment rental.

Midi Cinema Tonstudio (part of Melnitsa Animation Studio)
Websites: http://www.midicinema.ru/#, http://www.melnitsa.com
Year founded: 1992
City: St. Petersburg
Principal focus of activities:
Voice and sound recordings, background editing, special effects creation and editing, TV dubbing, film dubbing, Dolby sound coding.

Nevafilm
Website: http://www.nevafilm.com
Year founded: 1992
City: St. Petersburg
Principal focus of activities:
Recording studios in St. Petersburg and Moscow. Sound recording, dubbing into Russian, Dolby, Atmos and Auro soundtrack convergence and coding, mastering, packaging, DCP replication, managing KDM.

ProDigi
Website: http://www.prodigidcp.net/
City: St. Petersburg
Principal focus of activities:
Creation of DCP packages (mastering), DCP remastering and replication, preparing clips and trailers, conversion of various video formats, preparing KDM, content delivery, work with torrents (investigating instances of a film, blocking), obtaining distribution licences.

PS TVC
Website: http://pstvc.ru/
Year founded: 1993
City: Moscow
Principal focus of activities:
Television advertising clips, music videos, editing, casting, adaptation of advertising clips, radio spots, corporate films, replication, animated images, computer graphics, DVD authoring.

Rentacam
Website: http://www.rentacam.ru
Year founded: 2004
City: Moscow
Principal focus of activities:
Film equipment rental.

RUmedia Film Company
Year founded: 2006
City: Moscow
Principal focus of activities:
Full-cycle film production and project execution (television series, television feature films, full-length feature films, advertising and music clips, television content for digital and cable channels). Post-production services.

Russian Film Group (RFG)
Website: http://www.russianfilmgroup.ru/
Year founded: 2000
City: Moscow
Principal focus of activities:
Production of feature and documentary films, TV programmes and animation, music and advertising clips; full complex of post-production services (editing, computer graphics, voice-overs); distribution, acquisition and sale of rights to film, TV, and video productions; informational support for PR projects.

Studio VEK
Website: http://www.studiavek.ru/
Year founded: 1994
City: St. Petersburg
Principal focus of activities:
Production and technical facilitation of films (feature films, documentaries, popular science films, ads, TV series, etc.).

X-Ray
Website: http://www.xraycompany.ru/
Year founded: 2009
City: Moscow
Principal focus of activities:
Providing a full set of services facilitating the filming process; equipment rental and sales.

CHAPTER 4. EXHIBITION

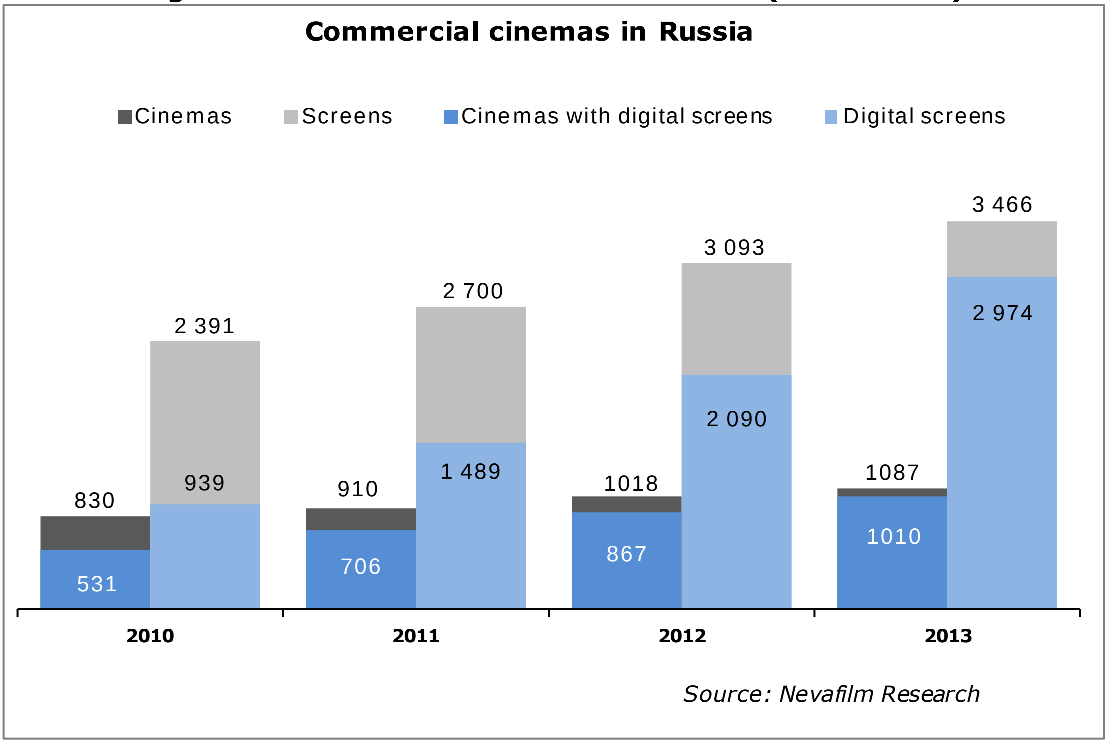
4.1. Industry structure

4.1.1. The modern cinema exhibition market

Until recently, we used the term 'modern cinemas' to describe cinemas offering regular commercial film screenings in comfortable auditoriums with multichannel sound. But as the industry has developed, the meaning of that term has become somewhat blurred, as digital projectors have been installed, for example, in restaurants and private clubs. Consequently, the most important aspect in defining cinemas which play a genuine role in the domestic market is their focus on obtaining their main income from film exhibition. The term 'modern cinema' has been replaced by 'commercial cinema', and the criterion for selecting those cinemas to which it applies is that their main source of income must be film screening, in contrast with, for example, the restaurants mentioned above or film projection outfits in rural areas, where tickets are priced at RUB 10–20.

The commercial cinema market in Russia continues to expand. According to Nevafilm Research, as of 1 January 2014, Russia had 3,466 commercial screens in 1,087 cinemas, with an average of 3.2 screens per cinema. 86% of screens featured digital equipment – 2,974 screens in total (in 1,010 or 93% of cinemas) – of which 2,488 had 3D capabilities (84% of digital screens).

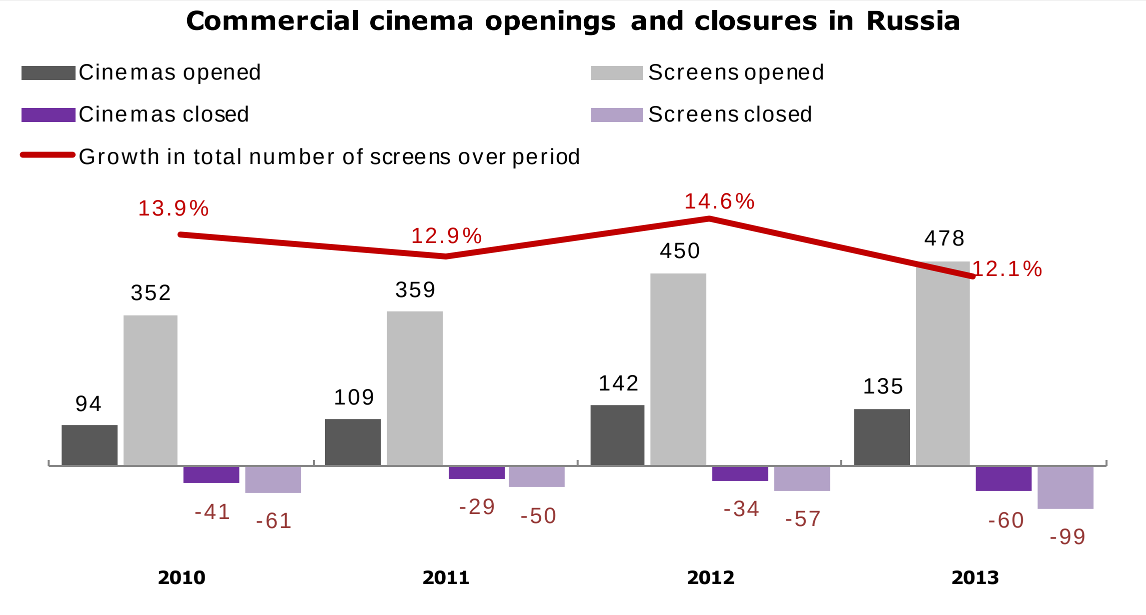
Figure 10. Commercial cinemas in Russia (2010–2013)



Recently, the number of cinema screens opening in Russia has been increasing every year, but there has also been a rise in the number of closures, meaning the pace of growth on the market is slowing. Before the

2008–2009 financial crisis, the growth rate was 20–30% per year. Currently, it is no higher than 12–15%, although most openings are usually in the second half of the year.

Figure 11. Commercial cinema openings and closures in Russia (2010–2013)



Source: Nevafilm Research

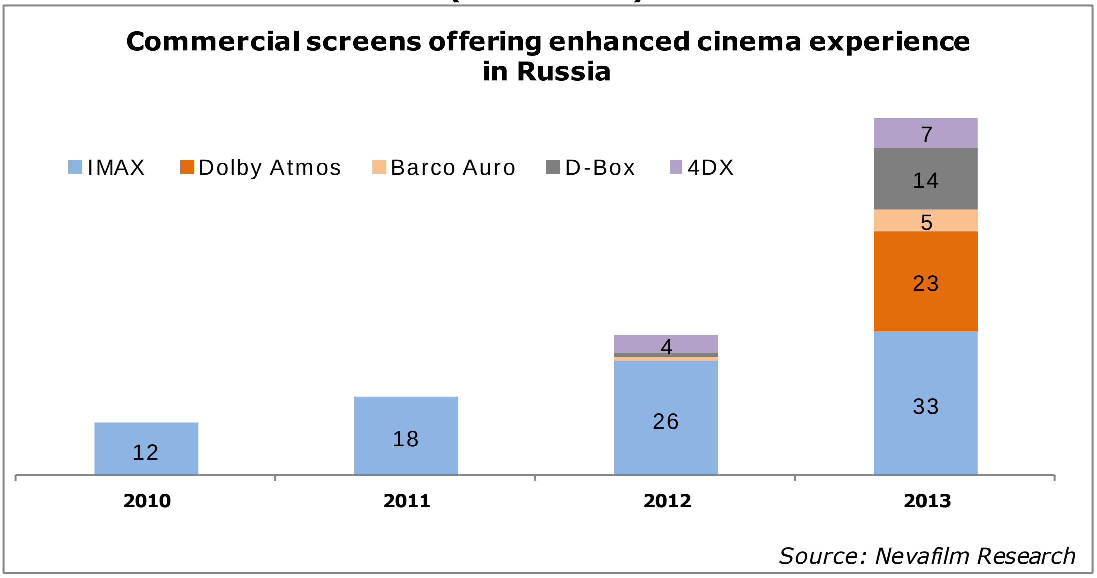
Drive-in cinemas are excluded from the total number of commercial cinemas. This market segment has been growing in Russia since 2001, when the first drive-in cinema, Fara, opened in St. Petersburg. Currently, the country has more than ten drive-in cinemas, located in Moscow, Nizhny Novgorod, Perm, Naberezhnye Chelny, Kaliningrad, Omsk, Khabarovsk, Samara, Izhevsk, and Gelendzhik. Most drive-ins are fitted with video projection equipment and operate only during the summer, screening films a few weeks or months after their premiere. But there are cinemas, such as Night Watch in Kaliningrad and Avtokinoteatr na Zaimke in Khabarovsk, which use high-quality digital equipment. Generally speaking, Russia's climate is an obstacle to the widespread development of drive-in cinemas.

4.1.2. Enhanced cinema experience

In recent years, the enhanced cinema segment has been growing rapidly in Russia. Digital technology has enabled a significant increase in the number of IMAX screens, facilitated by an agreement between IMAX and Cinema Park, a leading Russian cinema chain, which has equipped half of its cinemas with IMAX screens (16 out of 30). The range of films on offer has also increased as the infrastructure has grown. In the first half of 2014, there were 19 IMAX films in distribution in Russia, compared with only 22 released in the whole of 2012.

The first screens featuring motion effects were introduced to Russia in 2012 (4DX, followed by D-Box in 2013), along with cutting-edge sound systems such as Dolby Atmos and Barco Auro. In 2013, 22 films were released in D-Box format, 31 in 4DX, 19 in Dolby Atmos, and three in Barco Auro. As of mid-2014, Atmos (installed in cinemas owned by the Formula Kino, Luxor, and Cinema Star chains as well as a fairly large number of independent cinemas and other chains) and D-Box (found mostly in the Kinomax, Barguzin, and Luxor chains) led their respective segments of the enhanced cinema experience market.

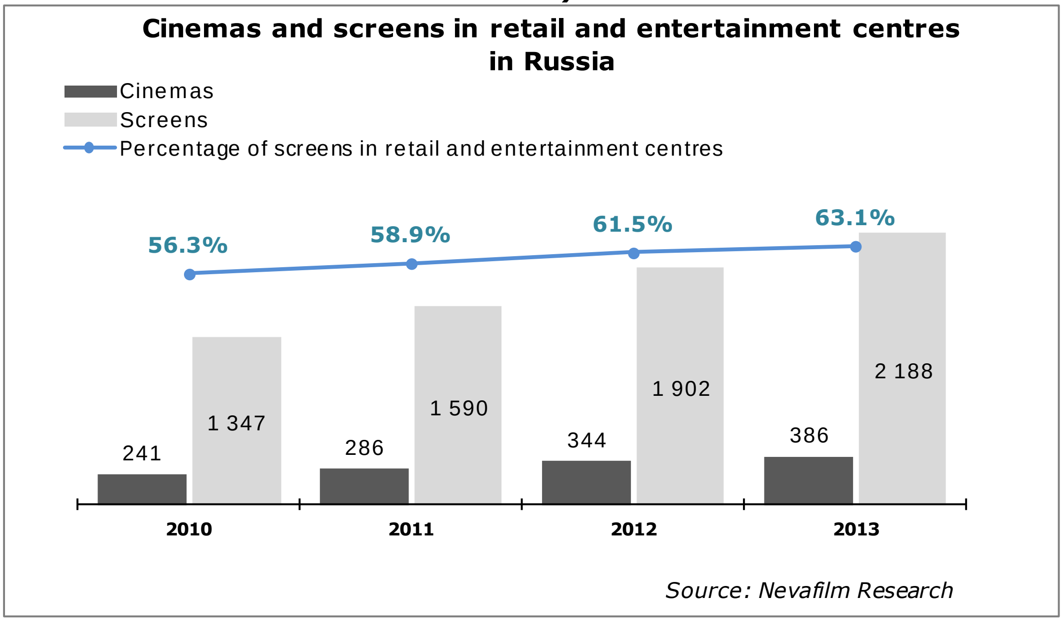
Figure 12. Commercial screens offering enhanced cinema experience in Russia (2010–2013)



4.1.3. Cinemas in retail and entertainment centres

Cinemas in retail and entertainment centres remain the leading segment of the film exhibition market in Russia. Today, there are 386 cinemas with 2,188 screens based at such centres, accounting for 63.1% of the country's screens (almost double the number for 2010). Most of the newly opened screens in the country are located within retail and entertainment centres, which also house almost all of Russia's multiplexes.

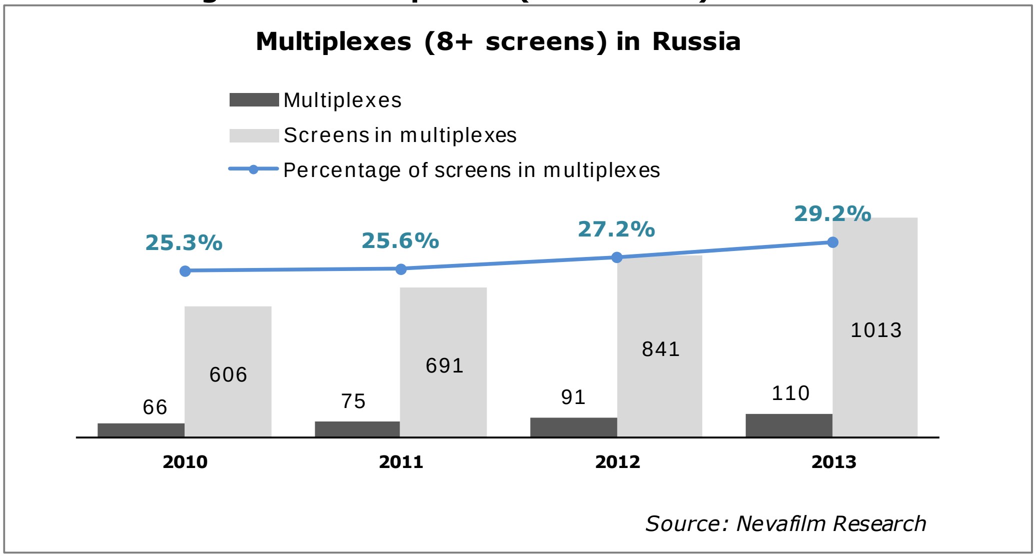
Figure 13. Cinemas and screens in retail and entertainment centres (2010-2013)



4.1.4. Screens per cinema and multiplexes

Since 2010, the share of total commercial screens in Russia located in multiplexes has risen by four percentage points, reaching 29% as of 1 January 2014. In 2014, the first megaplexes appeared in Russia, with the Krasnaya Presnya Cinema Centre in Moscow turning into a 22-screen complex. It is also worth noting that Russia's first VIP megaplex is set to open at the end of the year at the Four Seasons hotel in central Moscow. It will have at least 16 screens, 10 of which will be equipped with Dolby Atmos sound systems. In the second half of the year, the Karo 22 megaplex opened on the outskirts of the capital. Nevertheless, multiplexes' share of total screens in Russia is growing relatively slowly: the small number of multiscreens opening is balanced out by the many regional one-screen cinemas that are gaining commercial status thanks to the installation of digital equipment.

Figure 14. Multiplexes (8+ screens) in Russia



The most popular formats for Russian cinemas in terms of number of screens are venues with one, two, four, six, or eight screens, which each account for 10–13% of all screens. Interestingly enough, venues with odd numbers of screens are much less popular among film exhibitors than those with even numbers, with the only exception being the one-screen format. An analysis of cinemas by number of screens reveals that most Russian screens are located in miniplexes (cinemas with between two and seven screens). This format accounts for 59% of screens and 52% of cinemas.

Table 17. Modern Russian cinemas by number of screens (as of 1 January 2014)

Number of screens per cinema	Number of cinemas	Number of screens	Market share by number of cinemas	Market share by number of screens
1 screen	**409**	**409**	**37.6%**	**11.8%**
2 screens	217	434	20.0%	12.5%
3 screens	91	273	8.4%	7.9%
4 screens	101	404	9.3%	11.7%
5 screens	59	295	5.4%	8.5%
6 screens	62	372	5.7%	10.7%
7 screens	38	266	3.5%	7.7%
MINIPLEX Total	**568**	**2044**	**52.3%**	**59.0%**
8 screens	52	416	4.8%	12.0%
9 screens	26	234	2.4%	6.8%
10 screens	15	150	1.4%	4.3%
11 screens	8	88	0.7%	2.5%
12 screens	3	36	0.3%	1.0%
13 screens	2	26	0.2%	0.8%
14 screens	2	28	0.2%	0.8%
15 screens	1	15	0.1%	0.4%
20 screens	1	20	0.1%	0.6%
MULTIPLEX Total	**110**	**1013**	**10.1%**	**29.2%**
Total in Russia	**1087**	**3466**	**100.0%**	**100.0%**

Source: Nevafilm Research

Multiplexes continue to expand their reach over an ever greater area of the country. By 2014, multiplexes were operating in 33 Russian cities. They are being opened not just in cities with populations over 500,000, but also in smaller towns, although to a lesser extent – only 2% of all cities with a population under 500,000 in which there is any commercial film exhibition. Only one of the 15 Russian cities with a population of over a million – Volgograd – currently has no multiplex. At the eight-screen Cinema Park opened in 2008, two screens were combined to create one IMAX screen in 2011. As of beginning of 2014, the cities with the most multiplex screens as a proportion of their total screens were Chelyabinsk (67%), Novosibirsk (63%) and Samara (61%). By that measure, Russia's two largest cities – Moscow and St. Petersburg – are in ninth and eleventh place, respectively.

4.1.5. Share of population with access to film exhibition

By 2014, the number of towns and cities with commercial cinemas had reached 468 (at the end of 2012 there were 437). Screen density per 100,000 residents in towns with populations over 10,000 was 3.3. Screen density based on the population of the country as a whole is 2.4 commercial screens for every 100,000 residents; in 2012, the figure was 2.2.

Table 18. Russian urban population's access to modern cinema screens, as at 1 January 2014

City population*	Percentage of cities with commercial cinemas	Percentage of population with access to commercial film exhibition	Cinemas	Screens	Cinemas with digital screens	Digital screens	Screens per 100,000 residents in cities with cinemas
more than 1 million	100.0%	99.9%	314	1 618	292	1 382	4.83
500,000–1 million	100.0%	100.0%	129	506	124	410	4.01
250,000–500,000	95.1%	95.0%	157	519	152	461	3.89
100,000–250,000	87.2%	89.0%	148	352	140	312	2.82
10,000–100,000	28.6%	45.3%	313	444	280	386	3.41
Total for cities with cinemas	**37.9%**	**82.5%**	**1 061**	**3439**	**988**	**2 951**	**4.05**
Total for all cities with populations over 10,000							**3.34**

** The table does not show cinemas and screens in towns with populations under 10,000: 27 screens in 26 cinemas in 26 towns.*

Source: Nevafilm Research

There are modern cinemas in all cities with a population of more than 500,000. For cities with a population of 250,000–500,000, the situation is close to saturation: 95% of such cities have modern cinemas; as well as cities with a population of 100,000–250,000 (87%). The least-tapped segment of the cinema market in Russia remains cities with populations of fewer than 100,000 residents: over 70% of such cities do not yet have modern cinemas. However, private businesses may have difficulties recouping their investments in these areas by themselves. Recently, municipal governments in some regions (in Krasnodar Territory, for example) have been allocating funds to purchase digital projectors for cinemas in small towns and villages, helping that segment of the market to expand.

Among cities with populations over one million, Yekaterinburg and St. Petersburg are best catered for in terms of exhibition capacity, with a screen density per 100,000 residents almost 1.5 times that of the capital (Greater Moscow). It should be noted that screen density increased sharply in St. Petersburg in 2013, when the city saw an explosion of new retail and entertainment centres with cinemas.

Table 19. Cities with populations over 1 million ranked by number of commercial screens per 100,000 residents (as of 01.01.2014, Greater Moscow = 100%)

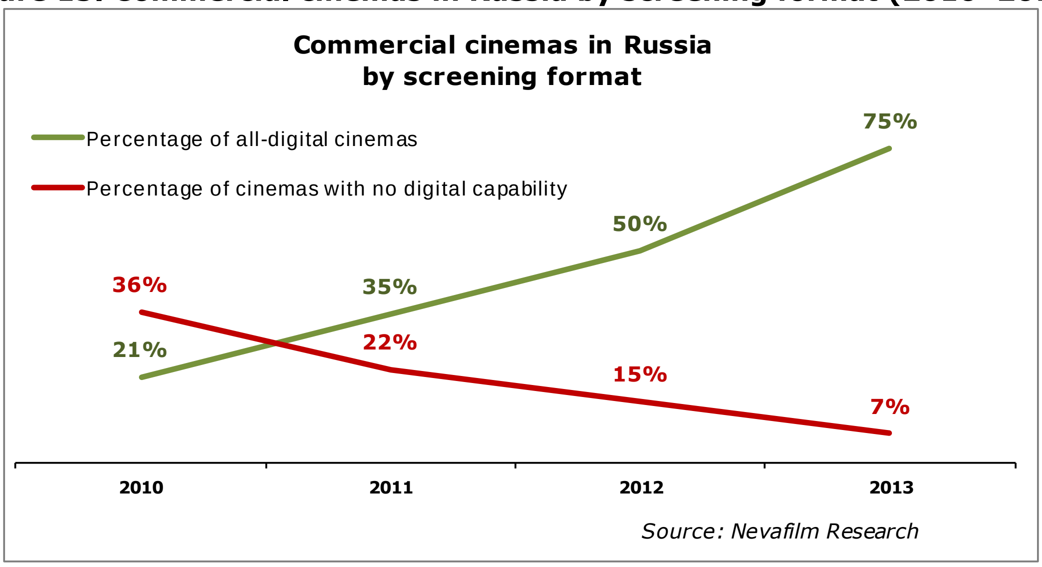
Rank, 01.01.14	Rank, 01.01.13	City	Population (in thousands)	Number of cinemas	Number of screens	Number of screens per 100,000 residents	% of Greater Moscow screen concentration
1	1	Yekaterinburg	1 396	18	95	6.8	151%
2	5	St. Petersburg	5 028	59	318	6.3	141%
3	2	Kazan	1 176	11	60	5.1	113%
4	10	Ufa	1 078	10	54	5	111%
5	9	Omsk	1 161	12	58	5	111%
6	3	Novosibirsk	1 524	13	76	5	111%
7	4	Voronezh	1 004	8	48	4.8	106%
8	11	Samara	1 172	8	54	4.6	102%
9	**7**	**Greater Moscow**	**13 410**	**121**	**603**	**4.5**	**100%**
10	6	Rostov-on-Don	1 104	9	47	4.3	95%
11	8	Chelyabinsk	1 156	10	49	4.2	94%
12	12	Nizhny Novgorod	1 260	13	51	4	90%
13	14	Volgograd	1 019	8	39	3.8	85%
14	15	Krasnoyarsk	1 016	8	34	3.3	74%
15	13	Perm	1 014	6	32	3.2	70%

Source: Nevafilm Research

4.1.6. Digital exhibition

The digitalization of cinema screens in Russia is winding down. By 1 January 2014, the number of cinemas where every screen has a digital projector had reached 812, and the number of screens in such cinemas was 2,380. That means that 75% of Russian commercial cinemas were completely digital. But there are still cinemas in the country that have no digital screens at all – 77 currently (97 screens), accounting for 7% of commercial cinemas.

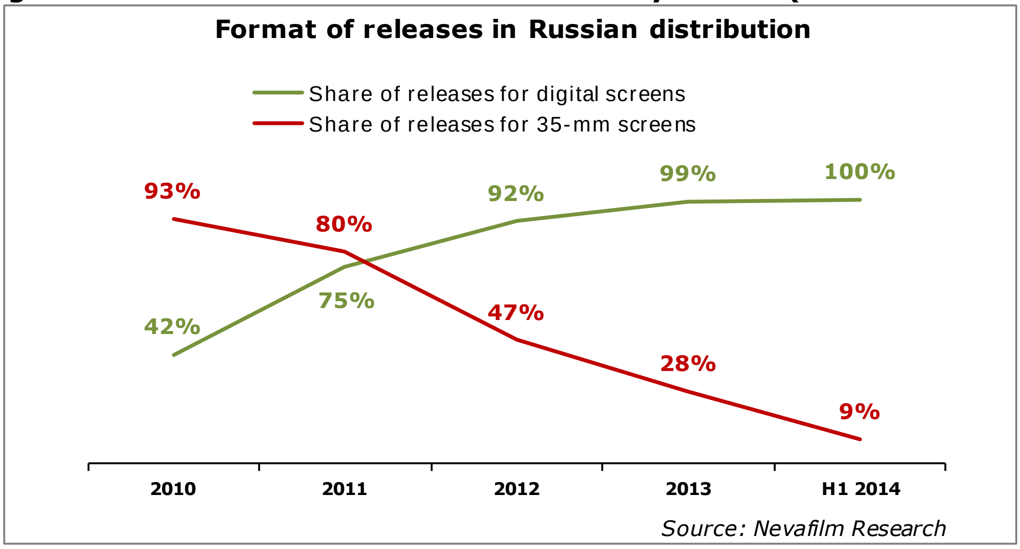
Figure 15. Commercial cinemas in Russia by screening format (2010–2013)



The main impetus behind the complete digitalization of cinemas has been that distributors are no longer releasing movies on film though in 2014, 35-mm prints are still being produced. In the first half of the year, 19 releases (9%) had a small print run on actual film (120 prints on average, with those films being distributed to an average of 940 screens). These were mainly Russian productions and films from independent distributors. It has been announced that several significant Russian projects will be released on film before early 2015.

But the majors are now turning away from film. The first to stop 35-mm distribution was Paramount Studios in mid-2013 (after *World War Z*), followed by Universal (after *The World's End*). WDSSPR's last releases on film in Russia were *Frozen* and *Captain Phillips*; while for Warner Bros., it was *The Hobbit: The Desolation of Smaug.* Lastly, in February 2014, 20th Century Fox transitioned to fully digital exhibition (after *The Secret Life of Walter Mitty* and *I, Frankenstein*).

Figure 16. Releases in Russian distribution by format (2010–H1 2014)

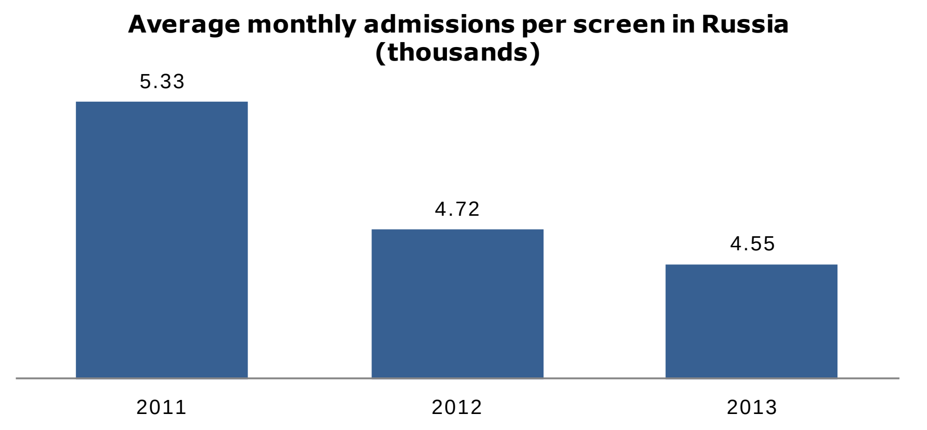


This leaves cinemas no choice but to go digital. In spring 2014, several chains, which manage the highest numbers of screens using the traditional film format, started to look for ways to transition to electronic exhibition. Premier Kinoprokat, the distribution arm of major cinema chain Premier-Zal, for example, considered expanding that area for distributing its own films, as well of those of other distributors, within its own network. But so far, that idea seems to have fallen through. A survey of independent companies which still sell rights for public film exhibition in Russia, conducted by Nevafilm Research in summer 2014, demonstrated that the companies polled have not expanded their activities in this area recently and are even making plans to move away from this kind of exhibition due to the low levels of protection for content on electronic media.

4.1.7. Box office returns and admissions per screen

The increase in the number of screens, admissions and, consequently, box office returns in Russia indicates that the sector is growing. However, in an environment where, in general, the opening of a new screen no longer leads to an expansion in the market but instead to cannibalization of the incomes of existing cinemas, market conditions are becoming increasingly difficult for individual players. Average monthly admissions per screen[70] in 2011 were about 5,300, while the average over 2013 was only 4,550, 15% less than in 2011.

Figure 17. Average monthly admissions per screen in Russia (2011–2013)

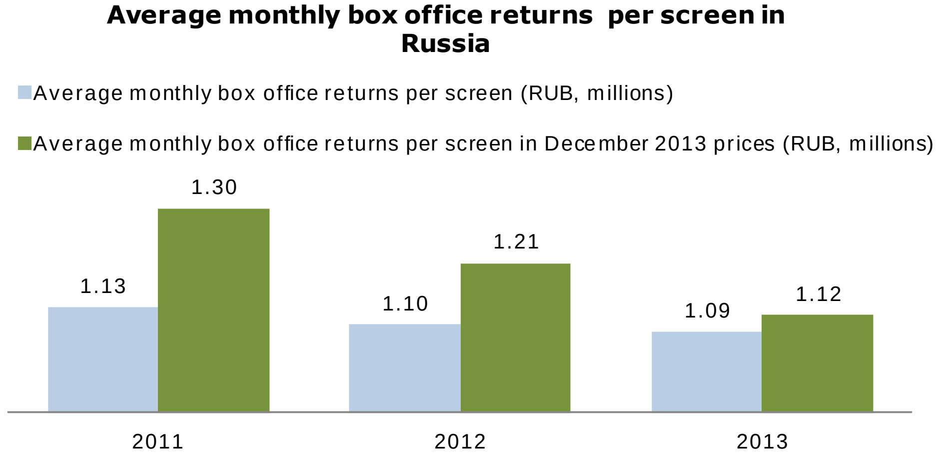


Source: Film Business Today *magazine, Booker's Bulletin, Nevafilm Research, Federal State Statistics Service*

Due to an increase in ticket prices, average monthly receipts per screen, at first glance, have fallen much less drastically: by only 4% from RUB 1.13 million to RUB 1.09 million. However, a comparison of discounted average monthly box office returns per screen shows that they declined at a rate very similar to the fall in average monthly admissions per screen: from RUB 1.37 million in 2011 (in December 2013 prices) to RUB 1.12 million (in the same prices) in 2013, or by 14%.

[70] To calculate average admissions and box office returns per screen, the average number of screens operating in the period being examined is used.

Figure 18. Average monthly box office returns per screen in Russia (2011–2013)



Source: Film Business Today *magazine, Booker's Bulletin, Nevafilm Research, Federal State Statistics Service*

4.2. Key players

The Russian cinema exhibition market is highly fragmented, with more than 550 players, 17% of which are chains. The 96 cinema chains include 26 operating on a nationwide level (managing cinemas in several federal districts), 16 operating on a regional level (with cinemas in several regions but within a single federal district), and 54 local chains (each operating within a single Russian region). There are 457 independent cinemas on the market.

Nationwide cinema chains are a decisive force on the commercial cinema market in Russia, managing 53% of screens nationwide. In second place in terms of numbers of screens are independent market players (27% of screens). Local chains and especially independent cinemas are lagging behind bigger chains in equipping themselves for digital exhibition. The larger chains have now almost completed their transition to the new technologies.

Interestingly, there are clear and significant differences in the average numbers of screens per cinema, depending on operator type: national chains have an average of 4.83 screens, regional chains have an average of 4.2, and local chains and independent players have 2.24 and 2.05 screens, respectively. The Russian exhibition market is also seeing a number of mergers and acquisitions (both completed and still to take effect), which may lead to both a reduction in the number of players and to a decrease in the average number of screens per cinema in the large chains.

Table 20. Fragmentation of the film exhibition market in Russia by cinema operator type as of 1 January 2014

Operator type	Number of operators	Number of cinemas		Percentage of cinemas with digital screens	Number of screens		Percentage of digital screens	Market share by number of screens	Average screens per cinema
		Total	Cinemas with digital screens		Total	Digital			
Nationwide chains	26	383	376	98.2%	1,849	1,570	84.9%	53.3%	4.83
Regional chains	16	65	63	96.9%	273	246	90.1%	7.9%	4.20
Local chains	54	182	167	91.8%	408	345	84.6%	11.8%	2.24
Independent cinemas	457	457	404	88.4%	936	813	86.9%	27.0%	2.05
Total in Russia	**553**	**1,087**	**1,010**	**92.9%**	**3,466**	**2,974**	**85.8%**	**100.0%**	**3.19**

Source: Nevafilm Research

The major nationwide chains occupy stable positions as the leading Russian chains: Cinema Park, Formula Kino, Karo Film, Kinomax, Luxor, Premier-Zal, Cinema Star, and Monitor. The three biggest cinema chains control 20% of the screens in Russia, the top ten control 43%, and 17 operators control 50%.

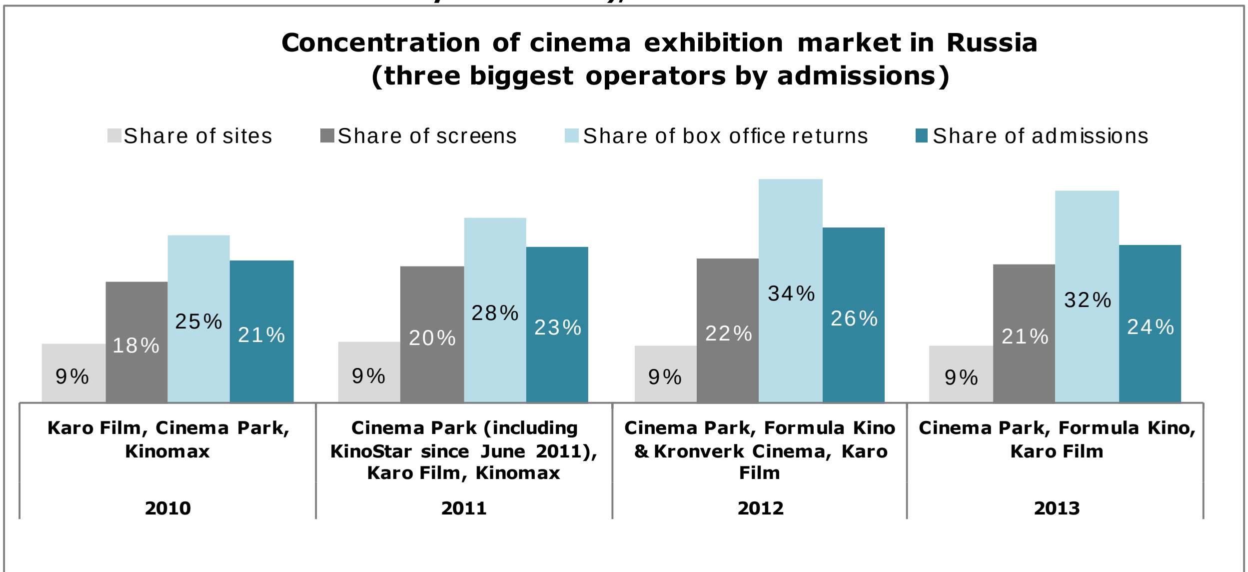
But not all companies in the top ten are equal in terms of their strength as market players. Some take on programming responsibilities for small, independent cinemas in the regions and/or manage them, without taking ownership of them. The biggest such companies are Premier-Zal (which manages 101 screens), Kinoformat (54 screens), and Monitor (11 screens). If only their own cinemas are taken into account, Premier-Zal and Kinoformat fall out of the top ten, but Pyat Zvezd and Mirage Cinema make the list.

Table 21. Major cinema chains in Russia as of 1 January 2014

No.	Cinema chain	Head office	Including franchises and cinemas to which programming services are provided					Only own cinemas		
			Number of cinemas	Number of screens	Number of digital cinemas	Number of digital screens	Market share	Number of cinemas	Number of screens	Market share
1	Cinema Park	Moscow	30	281	30	281	8.1%	30	281	8.1%
2	Formula Kino	Moscow	35	249	35	207	7.2%	35	249	7.2%
3	Karo Film	Moscow	29	192	29	192	5.5%	29	192	5.5%
4	Kinomax	Moscow	29	171	28	100	4.9%	24	153	4.4%
5	Luxor	Moscow	20	136	20	124	3.9%	20	136	3.9%
6	Premier-Zal	Yekaterinburg	88	125	84	115	3.6%	6	24	0.7%
7	Cinema Star	Moscow	20	100	20	80	2.9%	20	100	2.9%
8	Monitor	Krasnodar	23	88	23	75	2.5%	19	77	2.2%
9	Kinoformat	Moscow	12	66	12	43	1.9%	4	12	0.3%
10	Pyat Zvezd	Moscow	11	66	11	66	1.9%	11	66	1.9%
11	Mirage Cinema	St. Petersburg	10	62	10	62	1.8%	10	62	1.8%
12	Grand Cinema	Moscow	9	48	9	36	1.4%	9	48	1.4%
13	Mori Cinema	Moscow	7	48	7	38	1.4%	7	48	1.4%
14	Kinoplex	Moscow	7	46	7	12	1.3%	7	46	1.3%
15	Cinema 5	Cheboksary	5	30	5	30	0.9%	5	30	0.9%
16	Barguzin	Irkutsk	7	28	7	23	0.8%	7	28	0.8%
17	Art & Science Cinema Distribution	Novosibirsk	10	27	9	14	0.8%	10	27	0.8%
18	Kubankino	Krasnodar	22	26	22	25	0.8%	22	26	0.8%
19	Imperiya Grez	Nizhny Novgorod	7	26	7	24	0.8%	6	21	0.6%
20	KinoCity	Moscow	4	26	4	26	0.8%	4	26	0.8%

Source: Nevafilm Research

Figure 19. Concentration of cinema exhibition market in Russia (three biggest operators by admissions), 2010–2013



Source: companies' data, Booker's Bulletin, Russian Film Business Today Magazine, Rentrak, Nevafilm Research

In terms of tickets sold, the market leaders, since 2012, have been Cinema Park, Formula Kino, and Karo Film, which together account for 24% of annual audiences in Russia. But market concentration dropped by two percentage points in 2013 compared with 2012, though it remains higher than the 2010 figure (21%), which reflected the concentration of the market before two major cinema chain mergers: KinoStar with Cinema Park and Kronverk Cinema with Formula Kino.

4.3. Principal trends and prospects for development

- The main trend dominating the Russian market over the past five years has been the transition to digital film exhibition, now in its final stage. In the beginning of 2014 ninety-three percent of the country's cinemas have digital screens, and 75% are completely digital. The mass transition will be completed in 2014. Moreover, domestic exhibitors have not had to resort to large-scale assistance from distributors (only the biggest cinema chains were able to conclude VPF agreements, without publicizing the deals). In all probability, cinemas left by the wayside will be able to survive for some time through public video screenings of children's, archive, or art-house films, and by screening 35-mm prints from regional film archives. But it will not be long before distributors stop releasing films in unprotected electronic formats. By mid-2015, therefore, all non-digital cinemas will either be closed; will lose their commercial status, having made the full transition to screening films from archives; or will finally install digital exhibition equipment, in some cases using funds from municipal government budgets.
- Municipal governments began to play a role in bringing digital equipment to screens in small cities and even rural areas in 2013, and this trend is highly likely to continue until the end of 2015, but will not manifest itself on a mass scale because of budgetary problems in many regions of the country. As a result of the expanded infrastructure, film exhibition in Russia is now moving in two directions: the digitalization of cultural centres in small towns, and the opening of chain cinemas in retail and entertainment centres.
- Meanwhile, small cities (with populations under 100,000) will continue to hold the most potential for the expansion of Russian cinema chains; over 70% of their population currently has no access to film exhibition services. At the same time, investing in cinema construction in those areas is not very profitable, although plans for such cinema chains continue to surface (none of these plans, however, have yet been implemented).
- Current market growth is coming from bigger cities: during times of sanctions and economic tension, investors choose less risky options like the markets in capital cities, where residents have higher incomes and film consumption is higher. In 2013, most of the multiscreen cinemas that opened in retail and entertainment centres were in St. Petersburg.
- As a result of the oversaturation of the market in big Russian cities, increasing numbers of cinemas are closing, slowing the pace of growth of the cinema network as a whole. The steady reduction in average box office returns per screen signifies that the film exhibition market has reached an intensive stage of development, during which

there are ever fewer possibilities for expansion, and cinema owners and managers must place an ever greater emphasis on reducing expenses. This is in contrast to the extensive stage of development which began when the first commercial cinema opened in Russia in 1996 and was characterized by very rapid growth in numbers.

- Players on competitive markets are seeing audiences desert their cinemas in droves and are trying to attract their attention by offering new, interesting concepts in screens. For instance, from 2012 to 2014, IMAX, 4DX, D-Box, Auro, and Atmos technologies were introduced across Russia, and auditoriums offering greater comfort and standardized concepts began to spread within cinema chains (for example, Relax and Jolly – two different VIP concepts from the Cinema Park chain – and Moscow's VIP megaplex). Other specialized projects were also launched (for example, Muvik children's screens in the Formula Kino chain and screens specializing in art-house films, for instance, in the Mirage Cinema chain). This kind of segmentation will increase in coming years, helping cinemas and chains to stand out from their competitors.
- As competition for audiences intensifies, and in a bid to reduce staff costs, cinemas will develop alternative means of selling tickets. The automation of this process already goes beyond installing ticket machines in cinema foyers or on the lower floors of the retail complexes in which they are located. Tickets are being sold online. In 2012, both the websites of the cinema chains themselves and sites dedicated to cinema in general (like Kinopoisk and Afisha), started offering users the ability to purchase tickets to films in nearby cinemas. The biggest Russian providers of ticket sales services are Rambler-Kassa and Kinokhod (their engines have been built into most cinema websites in Russia, including, since September 2014, major search engine Yandex). In 2013, online ticket sales represented 4.8% of all cinema tickets sold (as estimated by Nevafilm Research).
- Another consequence of market saturation in most big cities will be selectivity on the part of big nationwide players, against the backdrop of a worsening economic and political situation, when it comes to opening cinemas in new retail and entertainment centres in those cities, as a result of which the developers behind such projects will increasingly have to become cinema operators themselves. On the other hand, the big investments that were pouring into cinema from outside the industry until 2012 (readers may remember that investment funds were among the owners of the Karo Film and Formula Kino chains) require that cinema chains continue to expand to ensure that they can be sold off more profitably in the future. These are the conditions under which merger and acquisition deals between big companies have become more common (the acquisition of the KinoStar chain by Cinema Park and of Formula Kino by Kronverk Cinema; in spring 2014, the press also reported on plans to sell Cinema Park and Formula Kino; in November 2014, Interros, the owner of Cinema Park, announced its sale to companies owned by Senator Suleiman Kerimov). Still, the degree of concentration of

ticket sales in the top three companies fell for the first time in 2013, due to the increase in admissions in the regions, where these chains are not as well represented. It is likely that further consolidation among the leading players will help them to win back ticket sales in the regional market, although the strengthening of that market is becoming increasingly obvious.

CHAPTER 5. FILM DISTRIBUTION

5.1. Industry structure

5.1.1. Methodological aspects of gauging the theatrical distribution market in Russia

This section presents an analysis of the theatrical distribution market in Russia since 2011. Starting from that point, statistics have been given for the calendar year rather than the distribution year, which simplifies comparisons between periods.[71]

Data on film distribution in CIS countries (excluding Ukraine) is drawn from the publications *Film Business Today* and *Booker's Bulletin*, as well as Rentrak and the Consolidated Automated Information System (CAIS). Overlapping lists of films are combined; when there are discrepancies in values for numbers of prints, box office receipts, and tickets sold, the larger value is used for each film.

Nevafilm Research analyses figures for *Russian* film distribution as a percentage of the box office returns and admissions for the CIS as a whole (excluding Ukraine), which are printed in industry publications. These percentages are calculated based on information from Russia's largest distributors who estimate the average market share of their films in Russian distribution (excluding the CIS and Ukraine). In the period in question, the following trends were observed:

Table 22. Assessment of box office receipts and admissions for Russian cinemas
(percentage of CIS (excluding Ukraine) data printed in industry publications)

Year	Assessment of box office	Assessment of admissions	Contributing distributor data
2011	94.7%	92.4%	WDSSPR, 20th Century Fox CIS, Karo Film, UPI, West, Cascade, and Volga
2012	95.5%	91.4%	WDSSPR, Central Partnership, 20th Century Fox CIS, Karo Film, UPI, Volga, and Cascade
2013	94.6%	92.1%	WDSSPR, 20th Century Fox CIS, Karo Film, UPI, and Volga
H1 2014	93.9%	91.6%	WDSSPR, Central Partnership, 20th Century Fox CIS, UPI, Volga, and Exponenta

Source: Nevafilm Research

The analysis of distribution results for individual films, as well as for groups of films according to country of production, is based on cumulative data, not just Russian data.

Indicators for box office returns and admissions exclude the distribution of alternative content, which for the purposes of this study is taken to mean operas and ballets, concert films, documentaries and

[71] For more detailed information about the 'distribution year' and also about problems collecting statistics on theatrical distribution in Russia, see the report The Film Industry in the Russian Federation: 2012, http://publi.obs.coe.int/documents/205595/552774/RU+Film+Industry+2012+Nevafilm+EN.pdf/2a99cc4b-6946-44c3-954e-accda3e942b2

scientific documentary films (including IMAX films), educational programmes, series, shorts' programmes, and live broadcasts in cinemas.

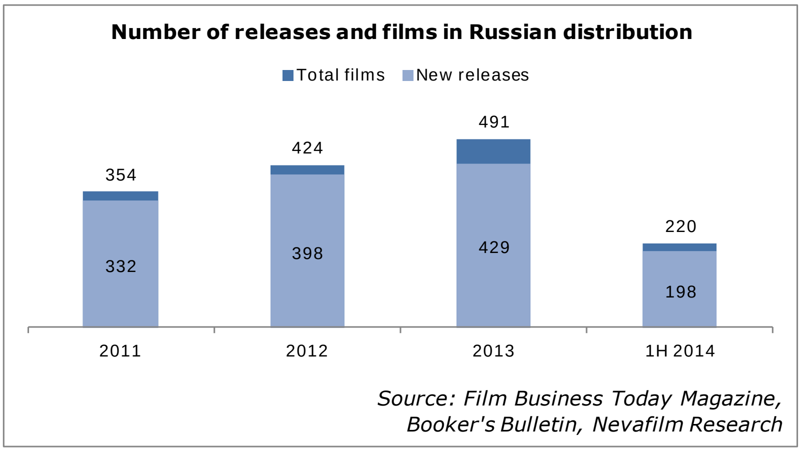
Furthermore, the overall analysis does not include regional films, i.e. films made in Russia's regions with or without the support of regional authorities, sometimes in the traditional language of that region, and shown most often in the cinemas of that region only. This market segment has been studied for the first time. It is not included in the area covered by the statistics from Russian industry publications or Rentrak, only by the CAIS, which at present does not cover 100% of cinemas and thus provides only a partial picture.

The distribution of alternative content and regional films is analysed in separate paragraphs in this chapter.

5.1.2. Film distribution market volume in Russia

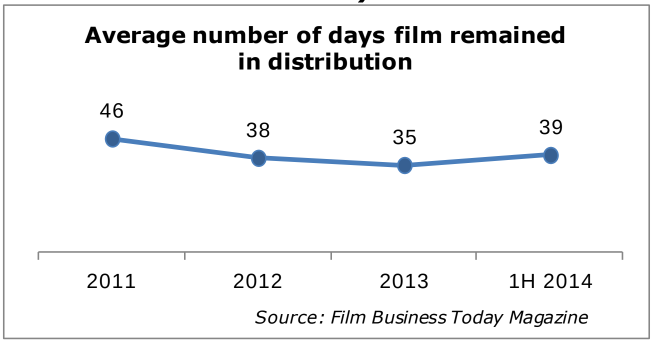
The past three years have seen a sharp increase in the number of films released every year in Russian cinemas. In 2011, 332 films were released (a total of 354 films were in distribution, including releases from previous years) while in 2013, 429 were released (491 in distribution), a 29% increase. However, during the first half of 2014, the number of new releases was lower than for the same period in 2013: 198 releases (220 films in distribution) compared with 208 (a total of 242 in distribution). The sharp increase in previous years is linked to the development of digital film distribution, while the stagnation in 2014 is due to the fact that the digital transition period is coming to an end. It would seem that the potential for increasing the number of films released nationwide due to cheaper digital distribution is now exhausted.

Figure 20. Number of new releases and films in Russian distribution (2011–H1 2014)



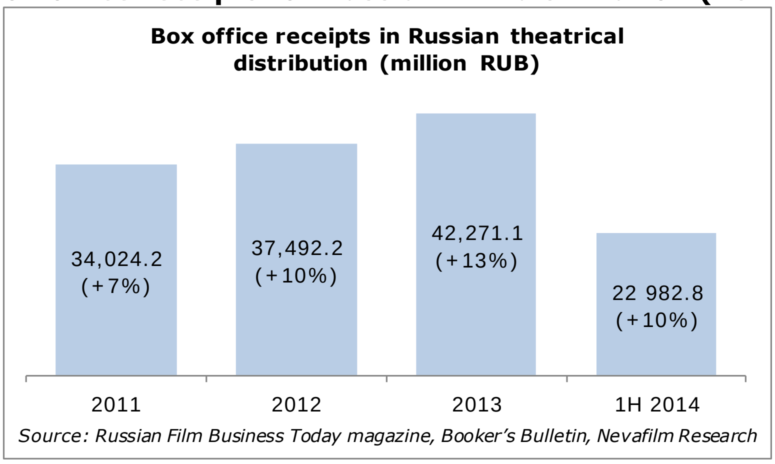
Meanwhile, this stagnation in the number of films released nationwide has had a positive impact on the average length of time films remain in distribution on the big screen. The growing number of releases had led to shorter screening periods in cinemas, from 46 days in 2011 to 35 days in 2013. In 2014, this figure rose again to 39 days. This is also evidence of a more mature market, in which cinemas strive to attract the attention of a more mature audience which does not rush out to the cinema for every premiere and is more likely to rely on word-of-mouth recommendations.

Figure 21. Average number of days a film remains in distribution (2011–H1 2014)



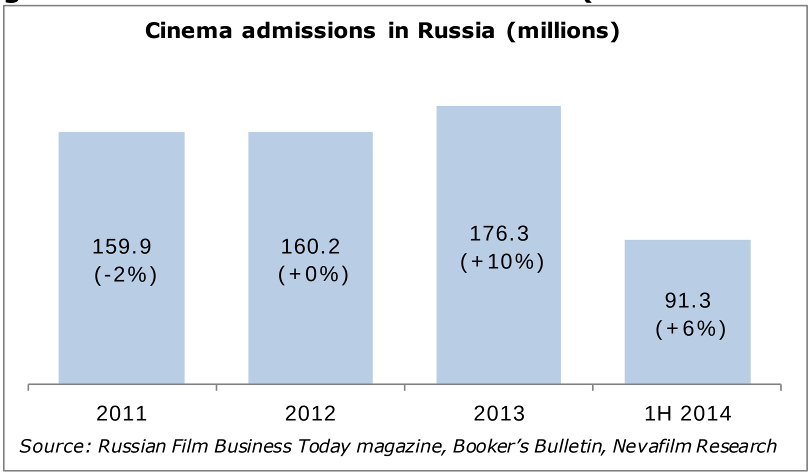
Box office receipts for Russian film distribution are experiencing stable growth of 10–13% per year. In 2011, box office receipts totalled RUB 34 billion, and in 2013 that figure was RUB 42 billion. In the first half of 2014, box office receipts reached RUB 23 billion (10% higher than in the first half of 2013), evidence that 2014 may set another record.

Figure 22. Box office receipts for Russian film distribution (2011–H1 2014)



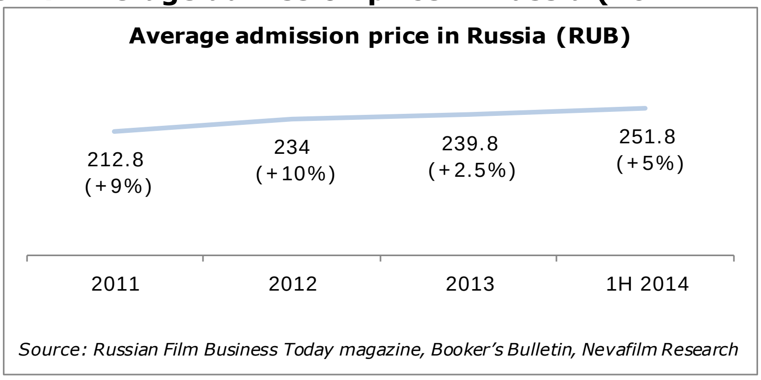
Cinema admissions figures are rising less consistently and generally more slowly than box office receipts. While total receipts in 2013 were 24.2% above those for 2011, admissions increased by only 10.2% (from 160 million tickets in 2011 to 176 million in 2013), with 2013 responsible for all of that growth. The first half of 2014 also saw 6% growth in admissions compared with the first half of 2013, to 91 million tickets.

Figure 23. Cinema admissions in Russia (2011–H1 2014)



The difference in growth rates for box office receipts and admissions is explained by price fluctuations: despite the fact that prices are constantly increasing, this growth may be either significant (+10% in 2012) or minor, and even below the level of inflation in the country (+2.4% in 2013). The average ticket price also rose in the first half of 2014, to RUB 252 (up 5% from 2013).

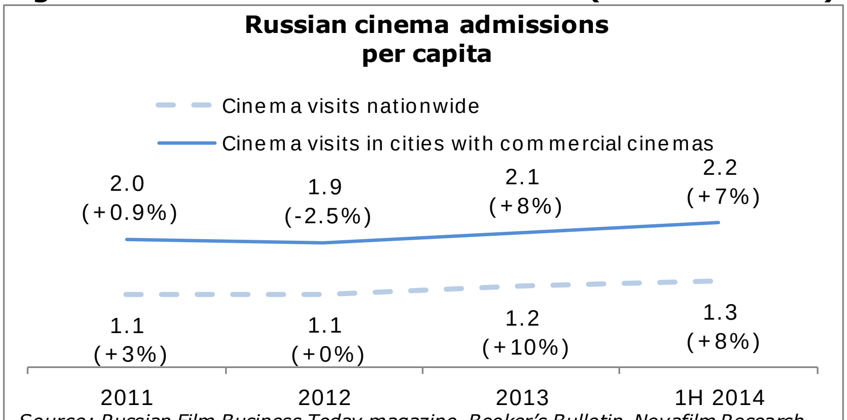
Figure 24. Average admission price in Russia (2011–H1 2014)



Cinema attendance in Russia continues to increase. In the country overall, it grew from 1.1 visits per capita in 2011 to 1.3 in 2014. In cities with commercial cinemas, attendance increased from 2.0 to 2.2 per capita.[72] Here, we must note the reduction in cinema attendance in Russia in 2012, the result, we believe, of high ticket prices: from 2011 to 2012, prices rose faster than inflation (by 10–11%, while consumer prices rose 6–7%). One confirmation of this is the recovery of growth in attendance when price increases slowed in 2013 and 2014.

[72] For comparison, according to European Audiovisual Observatory data, the 2013 cinema attendance rate was 1.8 times per year per capita in the European Union, 2.9 in France, 1.6 in Germany, 2.6 in the United Kingdom, and 4.0 in North America.

Figure 25. Russian cinema attendance (2011–H1 2014)

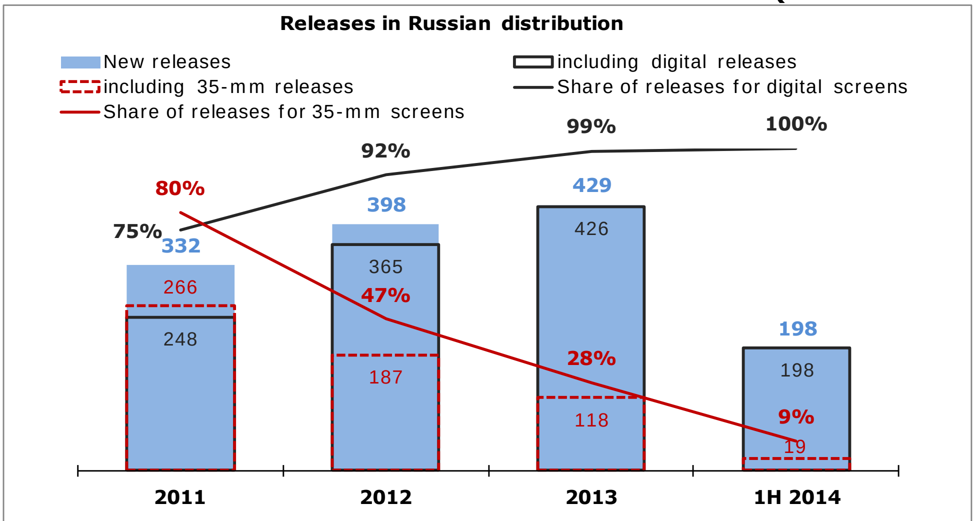


Source: Russian Film Business Today magazine, Booker's Bulletin, Nevafilm Research

5.1.3. Film distribution format

The transition to digital technologies has been the chief trend in Russian film distribution over recent years, and it is currently in its final phase: all 198 releases in 2014 were in digital format and only 19 (9% of the total number) were distributed on film as well. In 2011, the situation was completely different, with film being the most popular distribution format: 80% of releases were distributed on film, while 75% of new films were released in digital format.

Figure 26. Number of films released in Russia cinemas (2011–H1 2014)

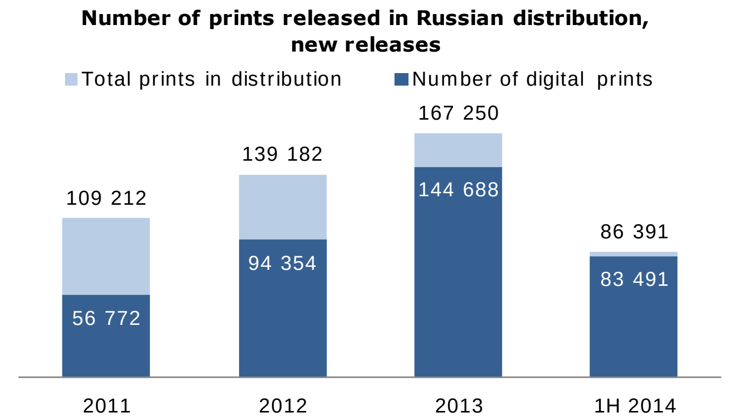


Source: Nevafilm Research

Hybrid releases in 2014 had a small print run on actual film (120 copies on average, with those films being distributed to an average of 940 screens). These were mainly Russian films and films from independent distributors. 'Digital prints'[73] had a 52% share of the Russian distribution market in 2011, and a 97% share in the first half of 2014.

[73] A 'digital print' is taken to mean the maximum simultaneous number of digital screens on which a film was shown.

Figure 27. Film prints in Russian distribution, new releases (2011–H1 2014)



Source: Film Business Today magazine, Booker's Bulletin, Nevafilm Research

5.1.4. Countries producing films released in the CIS film distribution market (excluding Ukraine)

For a long time, one of the main trends in the modern Russian film market was the release of films with bigger and bigger print runs, a phenomenon connected with the country's expanding cinema network. Since 2010, the transition to digital exhibition has helped to reinforce this trend, with bigger print runs for Hollywood releases especially noticeable, increasing from less than 700 in 2011 to over 1,000 screens per film in 2014 (in relative terms, this is an increase of 52%). Independent films, incidentally, are also significantly expanding their print runs thanks to digital technology. Films from European and North American producers have seen a 54% increase (from 184 prints per release in 2011 to 285 in 2014). For Russian producers, there has been a 47% increase (from 346 to 508) and for other countries, a 43% increase (from 89 to 128).

Meanwhile, average print runs in 2013 and 2014 have stabilized for nearly every type of film, except for European films and independent North American films: this category of releases is continuing to expand for now. This is further confirmation that Russian distributors have already exhausted the resources digital film exhibition technologies provide: the savings made on digital prints no longer allow distributors to profit from increased bookings of a particular film. Taking the example of films produced in Asia and the Pacific region, which traditionally have been very modestly represented in Russian distribution, it is evident that in 2013–2014, distributors actually reduced bookings of these releases due to their lack of popularity and profitability in Russia. Even this step did not help to avoid a fall in average receipts per print of this type of film. At the same time, not increasing the number of prints per release in 2014 helped Hollywood films to halt the fall in average box office receipts per print.

Figure 28. Average number of screens per film by country of production, (2011–H1 2014)

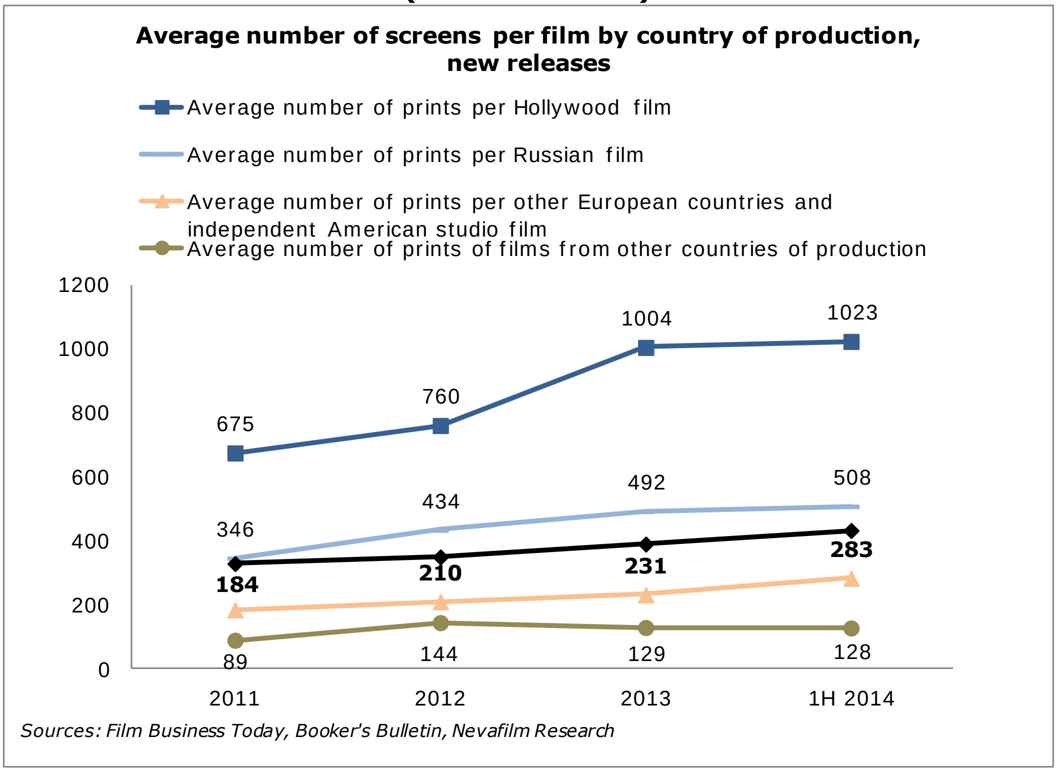
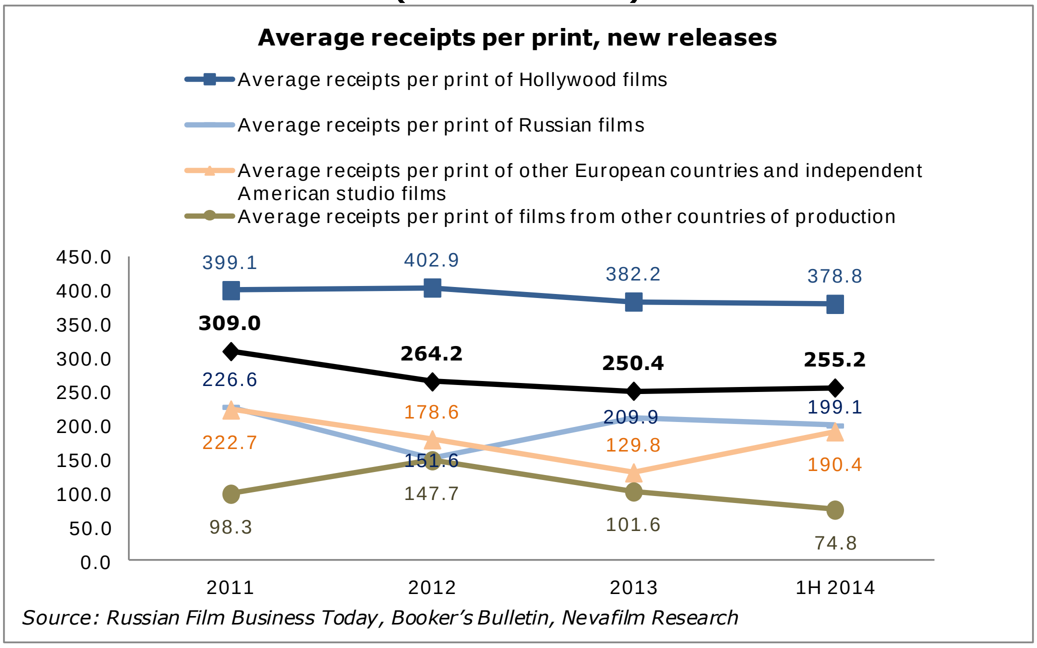


Figure 29. Average box office receipts per film print by country of production (2011–H1 2014)



An analysis of distribution data for the CIS (excluding Ukraine)[74] shows that for the past several years, other European countries (besides

[74] The following techniques were used to establish a film's country of production: films produced with Russia's participation are counted as Russian releases; films produced with the participation of at least one European country, and without Russian involvement, are counted as other European releases; films produced by the USA or Canada without the participation of Russia or European countries are counted as North American releases; the rest are counted as releases produced by another country.

Russia) and North America have shared the title of having the most films in Russian distribution. In 2013, 204 North American and 183 European films were in distribution, while in the first half of 2014, European films took the lead, with 88 films in distribution compared to 73 for the US and Canada. But North American films have no real competition when it comes to box office receipts, and none is likely to arise in the near future, even taking into account that their share of distribution has fallen from 66% in 2013 to 54% in the first half of 2014.

Figure 30. Number of films in distribution in the CIS (excluding Ukraine) by country of production (2011–H1 2014)

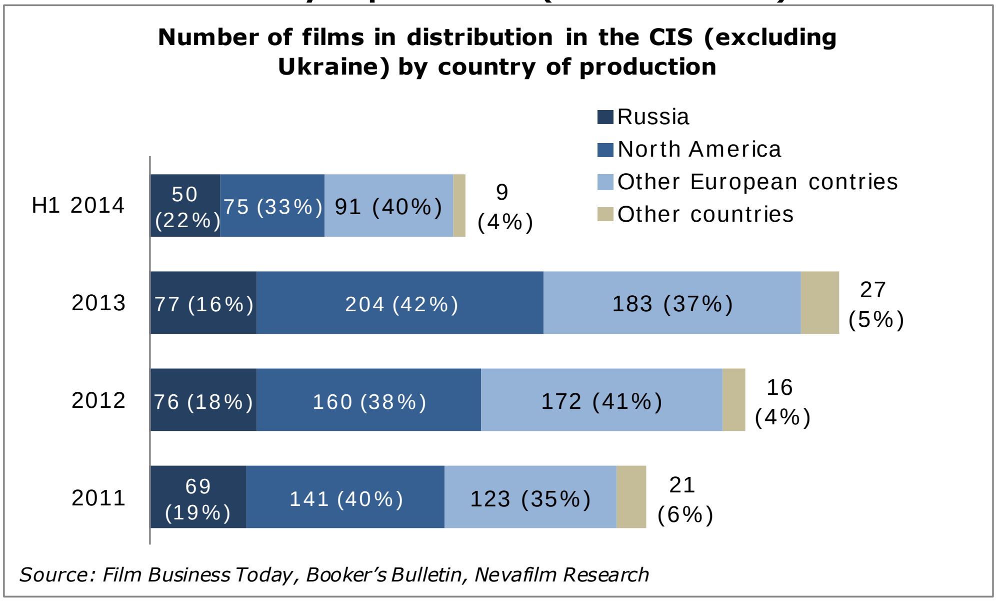
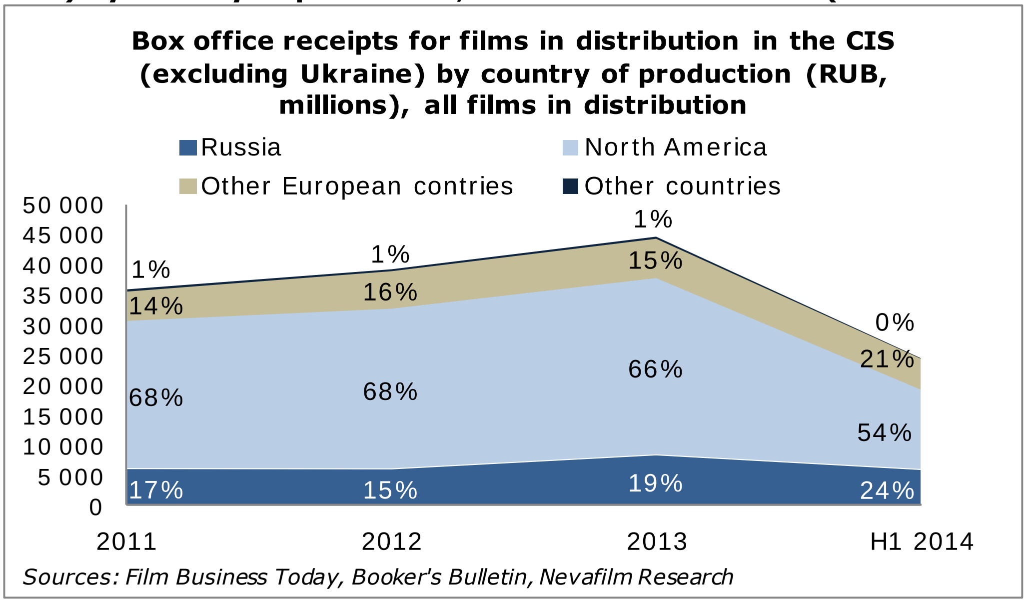


Figure 31. Box office receipts for films in distribution in the CIS (excluding Ukraine) by country of production, all films in distribution (2011–H1 2014)



Note that the increasing number of Russian productions in distribution is having an impact on the share of box office receipts and admissions attributable to Russian films. In 2013, both in the middle and at the end of the year, these figures were about 19%, and in 2014 they were close to

25%. Over one year (since mid-2013), the share of Russian releases may have doubled, but this has only led to a 1.4-fold increase in the share of tickets bought for Russian films in distribution. In other words, filmmakers were only able to retain their strong position due to the larger number of films; taken individually, the films showed poorer results in 2014.

Table 23. Market share of films in distribution in the CIS (excluding Ukraine) by country of production (2011–H1 2014)

Year	Russian films		North American films		Films from other European countries		Other	
	Number of releases	Gross box office (RUB millions)	Number of releases	Gross box office (RUB millions)	Number of releases	Gross box office (RUB millions)	Number of releases	Gross box office (RUB millions)
2011	69	6,073.9	141	24,524.0	123	4,948.5	21	374.3
	19.5%	16.9%	39.8%	68.3%	34.7%	13.8%	5.9%	1.0%
2011*	65	5,178.0	135	23,679.2	114	4,521.0	18	370.0
	19.6%	15.3%	40.7%	70.2%	34.3%	13.4%	5.4%	1.1%
2012	76	6,025.9	161	26,648.7	172	6,294.8	16	320.1
	17.9%	15.3%	37.9%	67.8%	40.5%	16.0%	3.8%	0.8%
2012*	69	4,533.3	154	25,711.2	161	6,245.9	15	320.0
	17.3%	12.3%	38.6%	69.8%	40.4%	17.0%	3.8%	0.9%
2013	77	8,353.7	204	29,379.0	183	6,582.9	27	354.5
	15.7%	18.7%	41.5%	65.8%	37.3%	14.7%	5.5%	0.8%
2013*	65	6,762.4	176	28,812.1	161	5,951.7	27	354.5
	15.2%	16.1%	41.0%	68.8%	37.5%	14.2%	6.3%	0.8%
H1 2014	50	5,926.9	73	13,224.9	88	5,260.0	9	86.0
	22.7%	24.2%	33.2%	54.0%	40.0%	21.5%	4.1%	0.4%
H1 2014*	45	4,548.9	64	12,417.1	80	5,225.8	9	86.0
	22.7%	20.4%	32.3%	55.7%	40.4%	23.5%	4.5%	0.4%

*new releases only

Source: European Audiovisual Observatory / LUMIERE database, imdb.com (for production country), Film Business Today, Booker's Bulletin, Nevafilm Research

Overall, it is primarily US and Russian films that make up the top 10 films every year in the CIS.

Table 24. Most popular films (by audience size) in the CIS (excluding Ukraine), 2011–H1 2014

Title	Distributor	Country of production	Release date	Admissions per year (millions)	Box office receipts (RUB millions)
2011					
Pirates of the Caribbean: On Stranger Tides	WDSSPR	US	18.05.2011	7.4	1,782.8
Puss in Boots	Central Partnership	US	27.10.2011	6.8	1,522.2
Transformers 3: Dark of the Moon	Central Partnership	US	29.06.2011	5.1	1,265.4
The Twilight Saga: Breaking Dawn. Part 1	West	US	17.11.2011	5.0	978.9
Harry Potter and the Deathly Hallows: Part 2	Karo Premier	GB INC / US	13.07.2011	4.6	1,050.7
Kung Fu Panda 2	Central Partnership	US	26.05.2011	4.5	899.3
Fast Five	UPI	US	28.04.2011	4.3	807.0

Title	Distributor	Country of production	Release date	Admissions per year (millions)	Box office receipts (RUB millions)
Vysotsky. Thank God I'm Alive	WDSSPR	RU	01.12.2011	4.2	842.9
How Not to Rescue a Princess	Nashe Kino	RU	30.12.2010	3.3	575.1
Real Steel	WDSSPR	US / IN	06.10.2011	3.3	627.6
2012					
Ice Age 4: Continental Drift	20th Century Fox CIS	US	12.07.2012	7.7	1,640.1
Madagascar 3	Central Partnership	US	07.06.2012	7.4	1,604.3
The Twilight Saga: Breaking Dawn: Part 2	West	US	15.11.2012	6.2	1,359.3
The Avengers	WDSSPR	US	03.05.2012	5.0	1,300.0
Men in Black 3	WDSSPR	US / AE	24.05.2012	4.6	1,200.0
John Carter	WDSSPR	US	08.03.2012	3.8	993.0
Skyfall	WDSSPR	GB / US	26.10.2012	3.2	787.5
Ivan Tsarevich and the Grey Wolf	Nashe Kino	RU	29.12.2011	3.2	663.6
Battleship	UPI	US	19.04.2012	3.1	649.0
Sherlock Holmes: A Game of Shadows	Karo Premier	US	29.12.2011	3.1	702.8
2013					
Stalingrad	WDSSPR	RU	10.10.2013	6.2	1,700.0
Despicable Me 2	UPI	US	15.08.2013	5.4	1,200.0
Iron Man 3	WDSSPR	US / CN	02.05.2013	5.2	1,400.0
Fast & Furious 6	UPI	US / ES	23.05.2013	5.0	1,071.6
Thor: The Dark World	WDSSPR	US	07.11.2013	4.3	1,200.0
Legend No. 17 [Legenda No. 17]	Central Partnership	RU	18.04.2013	4.2	923.0
The Croods	Twentieth Century Fox CIS	US	21.03.2013	4.2	880.0
Bitter! [Gorko!]	Bazelevs	RU	24.10.2013	3.7	811.0
Monsters University	WDSSPR	US	20.06.2013	3.5	677.6
Frozen	WDSSPR	US	12.12.2013	3.4	792.7
H1 2014					
Maleficent	WDSSPR	US/GB	29.05.2014	5.1	1,265.4
Rio 2	Twentieth Century Fox CIS	US	20.03.2014	4.5	965.8
Viy	UPI	RU / UA / CZ / DE / GB	30.01.2014	4.4	1,202.3
Noah	Central Partnership	US	27.03.2014	4.3	1,206.0
How to Train Your Dragon 2	Twentieth Century Fox CIS	US	12.06.2014	4.1	910.3
Yolki 3	Bazelevs	RU	26.12.2013	3.8	876.8
X-Men: Days of Future Past	Twentieth Century Fox CIS	US / GB	22.05.2014	3.1	776.4
47 Ronin	UPI	US	01.01.2014	3.0	862.3
Transformers: Age of Extinction	Central Partnership	US	26.06.2014	2.9	828.2
The Amazing Spider-Man 2	WDSSPR	US	24.04.2014	2.8	745.9

Source: European Audiovisual Observatory / LUMIERE database and imdb.com (for country of production), Film Business Today, Booker's Bulletin, Nevafilm Research

As for distribution of European films in Russia, France leads in terms of the number of new releases during the period 2011–2013 (132 films in three years), followed by the United Kingdom (74 films), Spain (42), Germany (41), and Italy (19). In terms of box office receipts in Russian distribution, the United Kingdom had the highest share (5% for the 2011–2013 period); overall, European Union countries collected around 12% of box office receipts in the CIS (excluding Ukraine) for the same period, with other European countries collecting only 0.1%.

Table 25. Number of European releases and films[75] in distribution in the CIS (excluding Ukraine) by country (2011–H1 2014)

Country	ISO code	Number of releases			Number of films in distribution		
		2011	2012	2013	2011	2012	2013
Austria	AT	0	2	2	0	2	3
Belgium	BE	2	3	3	2	3	3
Bulgaria	BG	1	0	0	1	0	0
UK	GB	20	14	34	22	14	38
Hungary	HU	1	1	0	1	1	0
Germany	DE	11	11	17	11	12	18
Denmark	DK	4	3	5	4	3	6
Ireland	IE	1	3	0	1	4	1
Spain	ES	10	14	17	10	15	17
Italy	IT	5	7	5	6	7	6
Latvia	LV	0	0	0	0	0	0
Luxembourg	LU	0	1	1	0	1	1
The Netherlands	NL	0	2	4	0	2	4
Poland	PL	1	0	2	1	0	2
Portugal	PT	0	1	0	0	1	0
Romania	RO	0	2	0	0	2	0
Finland	FI	0	4	1	1	4	2
France	FR	33	42	42	37	47	48
Czech Republic	CZ	0	1	1	0	1	1
Sweden	SE	2	4	2	2	4	2
Estonia	EE	0	0	1	0	0	1
Total, EU-28		***91***	***115***	***137***	***99***	***123***	***153***
Belarus	BY	0	0	0	0	0	0
Iceland	IS	0	0	0	0	0	1
Norway	NO	0	4	3	0	4	4
Serbia	RS	0	1	0	0	1	0
Ukraine	UA	1	1	0	1	1	0
Switzerland	CH	3	2	0	3	2	0
Total, other European countries		***4***	***8***	***3***	***4***	***8***	***5***
Incoming investment	INC	15	1	5	16	4	7
Total		***110***	***124***	***145***	***119***	***135***	***165***

Source: European Audiovisual Observatory / LUMIERE database and imdb.com (for country of production), Film Business Today, Booker's Bulletin, Nevafilm Research

[75] In cases of joint production, the country of production is considered that listed first in the Lumiere database (http://lumiere.obs.coe.int) or IMDb (http://www.imdb.com). If the US is listed along with a European country as a country of production, and the US is listed first, the film is still considered European, and the country of production is considered the country next in the list after the US. 'Incoming investment' accounts for all European films defined under the method described, produced with the help of incoming investment, according to the Lumiere database.

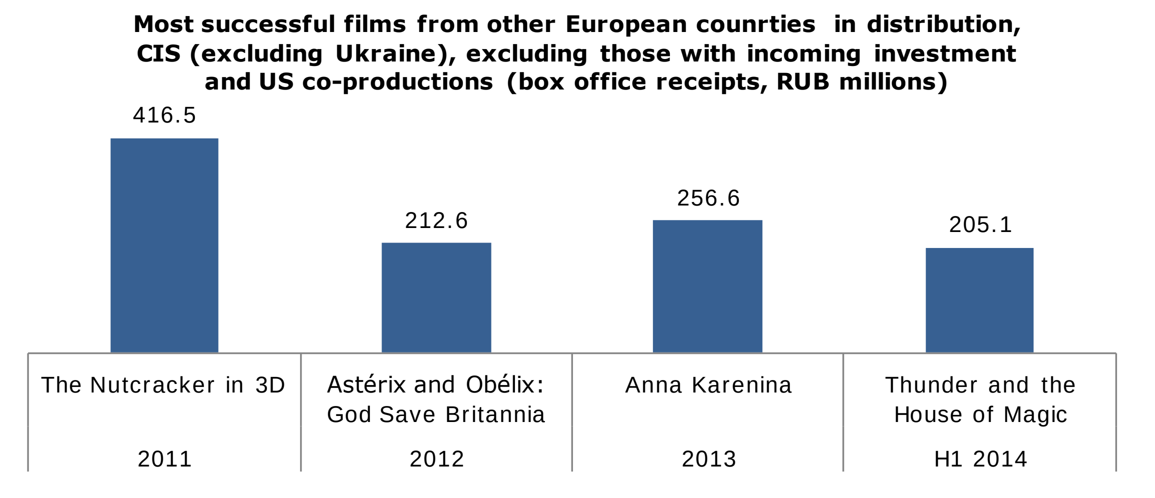
Table 26. Admissions and receipts for European films in distribution, CIS (excluding Ukraine) by country (2011–H1 2014)

Country	ISO code	Admissions, thousands			Gross box office receipts (RUB millions)		
		2011	2012	2013	2011	2012	2013
Austria	AT	0.0	9.5	7.9	0.0	2.0	1.7
Belgium	BE	252.5	458.7	93.6	49.0	85.7	22.3
Bulgaria	BG	9.0	0.0	0.0	1.8	0.0	0.0
United Kingdom	GB	5,001.5	6,984.6	13,940.5	1,039.1	1,678.8	3,527.2
Hungary	HU	226.0	1.6	0.0	39.1	0.4	0.0
Germany	DE	1,752.7	4,354.7	3,456.9	399.7	1,083.2	871.2
Denmark	DK	230.3	20.5	68.0	59.1	3.8	13.5
Ireland	IE	50.0	313.9	0.3	12.1	65.9	0.1
Spain	ES	873.6	1,584.9	6,076.3	203.1	337.4	1,306.6
Italy	IT	184.9	346.6	800.5	41.7	97.1	159.0
Latvia	LV	0.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	LU	0.0	26.5	0.3	0.0	7.0	0.1
Netherlands	NL	0.0	3.7	79.8	0.0	0.5	15.1
Poland	PL	0.6	0.0	4.4	0.1	0.0	0.8
Portugal	PT	0.0	1.1	0.0	0.0	0.2	0.0
Romania	RO	0.0	23.9	0.0	0.0	4.5	0.0
Finland	FI	0.1	203.7	13.9	0.0	46.1	2.7
France	FR	5,055.4	6,805.3	2,544.8	1,051.2	1,566.9	555.8
Czech Republic	CZ	0.0	1.1	0.0	0.0	0.3	0.0
Sweden	SE	12.0	1,536.8	0.6	2.2	368.1	0.1
Estonia	EE	0.0	0.0	4.8	0.0	0.0	0.9
Total EU-28		***13,648.6***	***22,677.3***	***27,092.6***	***2,898.3***	***5,347.8***	***6,477.1***
Belarus	BY	0.0	0.0	0.0	0.0	0.0	0.0
Iceland	IS	0.0	0.0	0.0	0.0	0.0	0.0
Norway	NO	0.0	37.1	267.9	0.0	6.3	63.3
Serbia	RS	0.0	1.6	0.0	0.0	0.3	0.0
Ukraine	UA	1.7	0.5	0.0	0.3	0.1	0.0
Switzerland	CH	75.2	7.7	0.0	21.4	1.6	0.0
Total, other European countries		***76.9***	***46.9***	***267.9***	***21.7***	***8.3***	***63.3***
Incoming investment	INC	9,070.3	106.0	1,534.9	1,956.4	23.3	359.4
Total		***22,795.9***	***22,830.1***	***28,895.4***	***4,876.4***	***5,379.4***	***6,899.8***

Source: European Audiovisual Observatory / LUMIERE database and imdb.com (for country of production), Film Business Today, Booker's Bulletin, Nevafilm Research

The most successful European film in Russian distribution during the period studied (excluding incoming investment and/or co-productions with the US) was *The Nutcracker in 3D* (dir. A. Konchalovsky, 2009).

Figure 32. Most successful films from other European countries in distribution, CIS (excluding Ukraine), excluding those with incoming investment and US co-productions (2011–H1 2014)

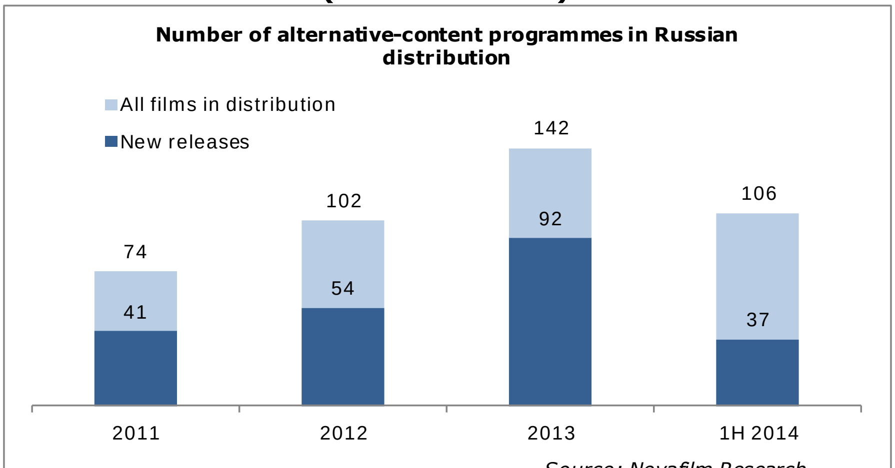


Source: European Audiovisual Observatory / LUMIERE database and imdb.com (for country of production), Film Business Today and Booker's Bulletin (box office receipts), Nevafilm Research

5.1.5. Alternative content

Alternative content distribution is developing rapidly in Russia. The number of such releases reached 92 in 2013, although the length of time these projects remain on screens is the main thing that distinguishes this segment of the market: every year, one and a half to two times more alternative content is in distribution than is released. Cinemas are happy to include operas, plays, and concerts from previous years in their programmes and alternative content is being increasingly widely distributed: more and more cinemas are experimenting with such screenings, trying to attract new audiences and stand out in a competitive environment.

Figure 33. Number of alternative content programmes in Russian distribution (2011–H1 2014)



Source: Nevafilm Research

Nevafilm Research estimates that in 2013, alternative content had a 0.3% share of total box office receipts and a 0.2% share of admissions in

Russia.[76] Among Russian viewers, the most popular items in this category were documentary and concert films. The film *Metallica: Through the Never*, released by West, is currently the highest-earning film in this category in Russia. Impressive distribution results were demonstrated at a special event organized by the art society CoolConnections in honour of the fiftieth anniversary of the famous fantasy series *Dr. Who.* Screening began simultaneously with the broadcast of the episode on BBC One, and the film was ranked fourth in box office earnings for alternative content in Russia.

Table 27. Top 10 highest-earning alternative content releases in Russia, by box office receipts (2011–H1 2014)

Title	Distributor	Release date	Distribution year	Type	Prints	Gross box office (RUB millions)	Attendance, thousands
Metallica: Through the Never	West	26.09.2013	2013	concert	261	26.3	89.0
Battle of the Year: The Dream Team	WDSSPR	12.12.2013	2013	doc.	315	17.1	78.1
Samsara	Premier-Zal	04.04.2013	2013	doc.	45	15.0	72.2
Doctor Who: The Day of the Doctor	CoolConnections	23.11.2013	2013	series	110	15.0	35.0
Frankenstein (starring Benedict Cumberbatch)	CoolConnections	31.10.2013	2013, 2014	play	n/a	10.0*	18.0*
One Direction: Where We Are	WDSSPR	30.08.2013	2013	concert	97	7.1	28.0
Marley	Premium Film	06.09.2012	2012	concert	21	4.2	16.4
Muse. Live in Rome	Nevafilm Emotion	20.11.2013	2013, 2014	concert	95	3.3	28.0
Hungarian Rhapsody: Queen Live in Budapest 1986	Nevafilm Emotion	24.11.2012	2012	concert	66	3.3	11.8
Justin Bieber's Believe	Premium Film	26.12.2013	2013	concert	114	2.6	10.1

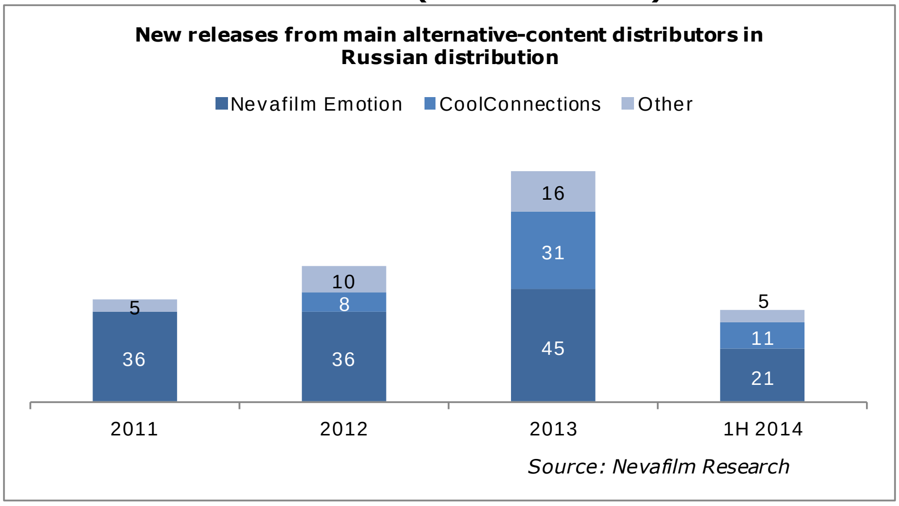
** data for 2013 only*

Source: Nevafilm Research, Booker's Bulletin, Film Business Today

Leading the alternative content segment in film distribution in Russia by number of releases are two companies that specialize in the genre: Nevafilm Emotion and CoolConnections, with a market share of 80–90% of all alternative content releases annually.

[76] For comparison, according to Media Salles data, in 2012, alternative content already accounted for 1% of total box office receipts in the United Kingdom. In 2013, the figure was 0.8% for France and 0.4% for Italy.

Figure 34. New releases from main alternative content distributors in Russian distribution (2011–H1 2014)



5.1.6. Distribution of regional films

Research methods

Both quantitative and qualitative methods were used to examine the development of regional cinema in Russia. First, public sources were used to build a database of regional films, which allowed us to make an initial sketch of the regions of the Russian Federation where full-length feature films are being made and released onto the big screen. The main sources of this information were the Offside festival for independent regional cinema[77]; data from regional culture ministries and state-owned studios in Russia's regions; cinema websites; and social network pages and Internet forums where local films are discussed by viewers. Next, as part of its qualitative research, Nevafilm Research conducted interviews with officials from regional cultural administrations, the managers of cinemas which distribute local films, and the producers and directors of such films. Nevafilm also requested screening data from the main distributing cinemas and the CAIS in order to conduct a quantitative analysis.

Qualitative research results

According to an initial review of Russian regional cinema, and based on a survey of the main players on this market, it is clear that there is commercial cinema with a history of theatrical distribution in Karelia, Udmurtia, Chelyabinsk, Orenburg, Omsk, Novosibirsk, Krasnoyarsk, Irkutsk, Bashkortostan, Tatarstan, Buryatia, and Yakutia.

According to expert interviews, directors in all of these regions are making feature films; professional documentary filmmaking is also fairly popular. We only heard of animation being produced in Bashkortostan, Tatarstan, and Yakutia (this type of film production demands special production capabilities, and therefore flourishes more at state-supported

[77] For more information about the Offside festival see http://2morrowfest.ru/category/movies/offside/ and https://www.facebook.com/offsidefest (both in Russian).

film studios). Local producers are working in various genres: horror, drama, action, and comedy (the most popular with the public).

In most cases, production companies and directors use their own production base when shooting (often this means just an ordinary video camera and a computer), but they also often turn to professional rental houses (these exist in Yakutia, Buryatia, Bashkortostan, Karelia, and Omsk) and state-owned studios (the Bashkortostan Film Studio and the Sakhafilm production company). Creative and technical experts tend to learn on the film set, but some regions also have specialized educational institutions and film departments, such as the East Siberian State Academy of Culture and Art in the Republic of Buryatia, the Faculty of Film Camerawork at Novosibirsk State Technical University, the Faculty of TV and Filmmaking at Kazan State University of Culture and Arts, and the Yakutsk branch of the St. Petersburg State University of Film and Television (in operation until 2011).

We should note that local film production is supported out of regional government budgets in many of Russia's regions. The legal framework is in place for this in Bashkortostan, Buryatia, Tatarstan, and Yakutia; in Belgorod, Kaluga, and Sverdlovsk regions; in Krasnodar and Krasnoyarsk territories; and in St. Petersburg and Moscow.[78] But in actual fact, Bashkortostan, Tatarstan, and Yakutia provide the most support for local film production; and only in Yakutia has cooperation between the regional government and the private sector led to the development of a fully-fledged industry. The Ministry of Culture and Spiritual Development of the Sakha Republic (Yakutia), thanks to the enthusiasm of Minister Andrei Borisov, does more than allocate funding to support the Sakhafilm studio and local filmmakers; since 2011 it has also been running an international festival of Arctic films, with a competitive programme open to works created in the Arctic region (Russia, the US, Canada, Finland, Sweden, Norway, Iceland, Denmark, and Greenland).[79]

Overall, the most highly developed regional film markets today are in the Republic of Buryatia and the Sakha Republic (Yakutia). Both regions produced their first local films for distribution in the early 2000s, and a real film boom was underway in Yakutia by 2010, when the number of films released on the big screen approached 15–20 every year. Something similar had taken place in Buryatia by 2011, when around five films per year started coming out on the big screen. At first, budgets for local films were around RUB 100,000–300,000. Now, the average in Yakutia is as much as RUB 0.5–1 million, and in Buryatia it is even higher: RUB 1–3 million. In other regions, the main sources of film financing are the personal resources of the directors themselves, or local government budgets (by means of subsidies from regional ministries of culture), but in Buryatia and Yakutia the film business displays a much greater degree of professionalism. Despite significant support from the Ministry of Culture and Spiritual Development of the Sakha Republic, in both of these republics film production mainly uses funds borrowed by producers,

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[78] See also section 1.3.2. Support for regional film production.

[79] For more about the Yakutsk International Film Festival, see http://mirfest.ru/festivals/1418/# (Russian only).

private investment, and producers' earnings from previous projects. In Yakutia, the experts we surveyed also mentioned reselling film rights and attracting foreign investment. Furthermore, at the regional level, cooperation with advertisers for product placement is common.

The most expensive films in Buryatia, according to our data, were *Pokhabovsk: The Other Side of Siberia [Pokhabovsk: Obratnaya storona sibiri]* (dir. Yury Yashnikov, 2013), *Steppe Games [Talyn naadan]* (dir. Bair Dyshenov, 2014), *Otkhonchik: First Love [Otkhonchik: Pervaya Lyubov]* (dir. Bair Dyshenov, 2013), and *Bulag: The Sacred Source [Bulag. Svyatoi istochnik]* (dir. Solbon Lygdenov, 2013). These had budgets of RUB 6–10 million, which is two or three times higher than most films shot in the republic. The biggest budgets in Yakutia are much lower, with the most expensive films in recent years being the drama *Seagull's Cry [Khopto Khahyyta]* (dir. Arkady Novikov, 2013) and the thrillers *Swamp [Kuta]* (dir. Stepan Burnashev, 2012) and *Runaway [Kuryeyekh]* (dir. Stepan Burnashev, 2014), all shot for RUB 700,000–800,000.

We should note that for public screening, digital formats are now widely used instead of the DVDs with which regional exhibition began (although sometimes lower than 2K standard), and the main exhibition venues are modern commercial cinemas which place their local films on the same level as Hollywood features: the same ticket price, number of showings, and distribution of earnings between rights holders and the exhibitor.

Aside from cinema screenings, producers make money from disc sales (this is the main way to monetize content after the big screen) and from film broadcasts by local television channels, where there is a demand for content in the local language (for instance, in Buryatia practically all locally produced films are shown on television). Some producers also use paid video on-demand services. However, posting films for free on the Internet remains a major, and unavoidable, means of popularizing local cinema production. All rights holders, sooner or later, post their films on the Web. This is also connected to the fact that they are not particularly concerned about the problem of video piracy, although producers do monitor content on torrent trackers and social networks while films are on release, to prevent them from being leaked early.

Quantitative research results

Overall, from 2011 to mid-2014, around 90 films were in regional distribution, although it is difficult to determine the release period and the size of the release for each of these films: some of them were on non-commercial release and/or released as part of film festivals. Nevertheless, it is possible to identify the cities and regions where local releases played some role. These include Vladivostok, Irkutsk, Petrozavodsk, Orenburg, Novosibirsk, and Omsk, and Buryatia, Udmurtia, and Yakutia. We can also track a general growth trend among local films in regional distribution from year to year.

Table 28. Number of regional films in local distribution (2011–H1 2014)

Region	2011	2012	2013	H1 2014	Total in region
Buryatia	2	4	7	3	**16**
Vladivostok	0	1	0	0	**1**
Irkutsk	0	0	0	1	**1**
Novosibirsk	1	1	0	3	**5**
Omsk	3	1	2	0	**6**
Orenburg	0	0	0	2	**2**
Petrozavodsk	0	1	0	0	**1**
Udmurtia	1	0	0	1	**2**
Yakutia	16	12	20	7	**55**
Total for period	**23**	**20**	**29**	**17**	**89**

Source: Nevafilm Research

Within the framework of this study, we were able to collect statistics on theatrical distribution data for regional films only in the republics of Yakutia and Buryatia, and not for all films (Buryatia has distribution data for 15 films, and Yakutia has data for 47). Nevertheless, since these two regions are the most highly developed in terms of a local film industry, it is fair to say that they have the lion's share of box office receipts and admissions for regional films in Russia.

An analysis of the data obtained shows that in the Republic of Buryatia, admissions for locally produced films are growing incrementally. In 2011, admissions totalled around 17,000, but by 2013 had grown to 58,000. Box office receipts are growing in a similar manner (from RUB 3.4 million in 2011 to RUB 10.5 million in 2013). Such even-paced growth is a result of the annual increase in the number of films, and is proof of increasing audience interest in local cinema. This is a growing market.

In Yakutia, which produces many more films, the situation is less stable and depends more on local hits. Moreover, in 2012, this region saw a fall in film production, as a result of which admissions and box office figures also decreased, from 52,000 and RUB 8.6 million in 2011 to 29,000 and RUB 5.5 million, respectively. However last year was a very successful one in Yakutia: local films drew in 74,000 cinemagoers and earned over RUB 16 million.

Nevertheless, overall, the results for even the most highly developed regional markets total less than 0.1% of admissions and box office receipts for the country as a whole. This is due to the small number of screens showing regional films. The main sales market in Yakutia comprises three commercial cinemas in the republic's capital city; Buryatia has four cinemas in Ulan-Ude.

Figure 35. Admissions to regional films in local distribution and as a percentage of nationwide admissions (2011–H1 2014)

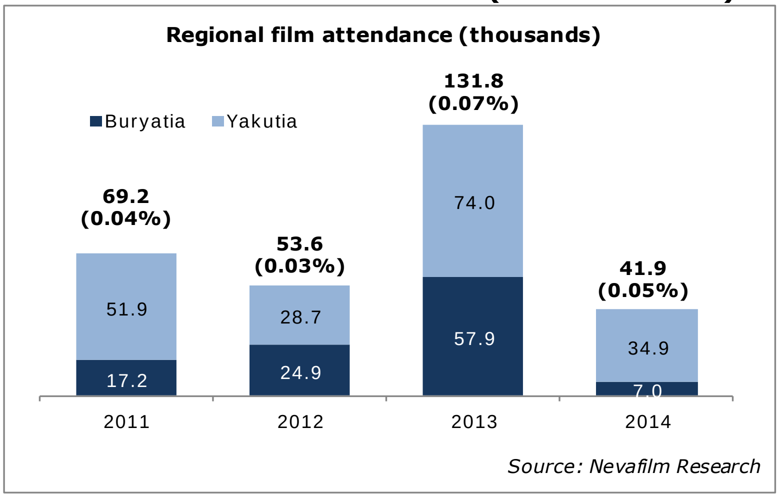
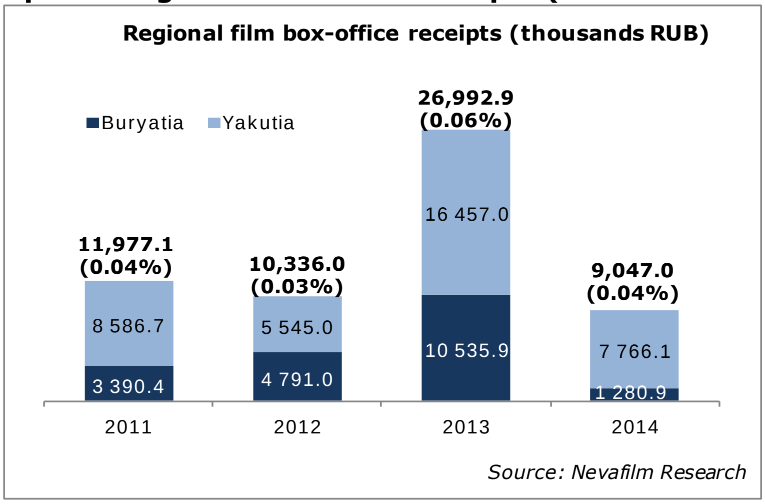


Figure 36. Box office receipts for regional films in local distribution and as a percentage of nationwide receipts (2011–H1 2014)



Despite the limited nature of regional distribution, film directors and producers in Buryatia and Yakutia have proven that their business model is viable. The republics now have their own 'stars', both for commercial and festival films. Directors such as Yevgeny Zamaliyev, Zargal Badmatsyrenov, Mikhail Kozlov, Roman Askhayev, Sergey Nikonov, and Yury Yashnikov in Buryatia; and Aleksey Yegorov, Dmitry Shadrin, Roman Dorofeyev, Eduard Novikov, Yevgeny Pivovarov, and Arkady Novikov in Yakutia, have each made over RUB 2 million in regional cinemas since 2011. Over that period, films by Bair Dyshenov, a Buryatia celebrity, earned RUB 1.5 million. His short films have won recognition at festivals in Berlin (in 2009 for *Buddha's Smile [Ulybka Buddy])* and Cannes (in 2012 for *Mother's Order [Nakaz materi]*). Both films were distributed in the republic, and in 2013, the director successfully debuted his full-length film: *Otkhonchik: First Love [Otkhonchik: Pervaya Lyubov].*

Table 29. Top 10 box office earners, local production in Republic of Buryatia, 2011–H1 2014

Title	Release date	Directors	Producer	Gross box office (RUB thousands)	Admissions (thousands)
Buuzy	09.02.2013	Zargal Badmatsyrenov	Istangulov, S.P.	3,189.1	17.4
Decided [Reshala]	22.11.2012	Roman Askhayev, Yevgeny Zamaliyev	Fifth Element	3,104.9	16.1
Pokhabovsk: The Other Side of Siberia [Pokhabovsk: Obratnaya storona sibiri]	31.10.2013	Yury Yashnikov	Wildsiberia Production	2,501.5	13.7
On Lake Baikal [Na Baykal]	19.10.2011	Mikhail Kozlov, Sergey Nikonov	Cinema +	2,510.2	12.6
Otkhonchik: First Love [Otkhonchik: Pervaya Lyubov]	21.03.2013	Bair Dyshenov	Buryatkino Studio	1,512.7	8.3
On Lake Baikal 2: All aboard! [Na abordazh!]	18.09.2012	Mikhail Kozlov	Cinema +	1,529.7	7.9
Chainik 2	14.11.2013	Alexander Kuzminov, Yevgeny Zamaliyev	Fifth Element	1,345.4	7.6
The Barrier [Shlagbaum]	19.09.2013	Dmitry Tuprin	MonUla Films	1,173.2	6.9
ULAN UDANCE	07.12.2011	Zargal Badmatsyrenov, Alexander Kuzminov, Yevgeny Zamaliyev	Republic of Buryatia KVN	880.2	4.6
Bulag: The Sacred Source [Bulag. Svyatoi istochnik]	27.06.2013	Solbon Lygdenov	MonUla Films	814.0	4.1

Source: Nevafilm Research

Table 30. Top 20 box office earners, local production in Republic of Sakha (Yakutia), 2011–H1 2014

Title	Release date	Directors	Producer	Gross box office (RUB thousands)	Admissions (thousands)
Keskil 3: The Legacy [Keskil 3. Nasledstvo]	22.08.2013	Aleksey Yegorov, Dmitry Shadrin	DETSAT	5,714.2	25.7
Ayyy Uola	23.01.2014	Eduard Novikov, K. Danilov	ART Doidu	4,795.2	22.0
Erchim and Kim [Erchim uonna Kim]	28.11.2013	Roman Dorofeyev	DETSAT	3,760.5	16.3
Once [Arai biirde]	14.04.2011	Roman Dorofeyev, Aleksey Yegorov	DETSAT	2,313.4	14.7
Seagull's Cry [Khopto Khahyyta]	24.10.2013	Arkady Novikov	MAGDIS	2,576.1	11.7
Heroes. Battle for the Cup [Geroi. Bitva za kubok]	20.10.2011	Vasily Bulatov, Yevgeny Pivovarov	SaidarPlus	1,736.4	10.1
Heroes 2: Scorpion Tournament [Geroi 2: Turnir skorpiona]	04.10.2012	Yevgeny Pivovarov	SaidarPlus	1,863.3	10.0
White Day [Urun kun]	01.12.2013	Mikhail Vasilyev-Lukachevsky	Sakhafilm	1,602.4	7.5
August [Avgust]	12.06.2014	Aleksey Yegorov, Dmitry Shadrin	DETSAT	1,594.5	6.8
Jubilee [Yubilee]	06.10.2011	Roman Dorofeyev, Dmitry Shadrin, Aleksey Yegorov	DETSAT	1,138.5	6.7
Paranormal Yakutsk [Paranormalniy Yakutsk]	06.09.2012	Konstantin Timofeyev	n/a	1,238.8	6.1
Smile [Ulybnis]	18.04.2013	Aleksey Yegorov, Roman Dorofeyev, Dmitry Shadrin	DETSAT	1,070.4	4.8
Swamp [Kuta]	01.11.2012	Stepan Burnashev	Burnashev, S.P.	958.5	4.6
Taptal Khaarty	31.03.2011	I. Tuima Barashkov	STAYST-film	593.3	3.7
Runaway [Kuryeyekh]	01.04.2014	Stepan Burnashev	Burnashev, S.P.	760.2	3.4
Semenchik	21.02.2012	M. Kalinina	ART Doidu	554.8	3.3
Kihi ueybetekh ettutten	10.03.2011	Arkady Novikov	MAGDIS	506.0	3.2
The Lottery [Lotereya: D'ollookh tugen]	01.12.2011	Ivan Toitonov	n/a	523.8	3.1
Davlyat 3	06.02.2014	P. Fedorov	Dolgunfilm	500.4	2.2
Leaving the Fragrant Harbour [Pokidaya blagoukhayushchuyu gavan]	24.03.2011	Suzanna Oorzhak	Dersu film	388.7	2.1

Source: Nevafilm Research

Finally, we should mention the major studios producing regional full-length films. These studios usually distribute such films too, agreeing the terms of exhibition with the cinemas themselves. They are all representatives of the two leading regional markets: Buryatia (Fifth Element, offering audiences a wide range of films from comedies to crime dramas, and Cinema +, which makes comedies) and Yakutia (DETSAT, also specializing in comedies, and ART Doidu, which mainly makes dramas).

Table 31. Top 10 regional film production companies in Russia in 2011–H1 2014

Company	Region	Number of films in distribution	Total box office receipts (RUB millions)
DETSAT	Yakutia	6	15.59
ART Doidu	Yakutia	4	5.51
Fifth Element	Buryatia	3	4.87
Cinema +	Buryatia	2	4.04
Istangulov, S.P.	Buryatia	2	3.76
SaidarPlus	Yakutia	2	3.60
MAGDIS	Yakutia	2	3.08
Wildsiberia Production	Buryatia	1	2.50
MonUla Films	Buryatia	2	1.99
Burnashev, S.P.	Yakutia	3	1.84

Source: Nevafilm Research

Today, regional cinema in Russia, especially in Yakutia and Buryatia, is a self-sufficient but still closed system: producers shoot films and start to make money for their next projects when they are released in local cinemas. Some collaboration between the republics can be observed (cinemas are willing to release films from neighbouring republics), and producers also try to cross the boundaries of their regions. There have already been precedents. Following local success, the Buryatian comedy *On Lake Baikal [Na Baykal]* was released nationwide; and the most famous film shot by Yakutian and Mongolian filmmakers was *By the Will of Genghis Khan*. Recently, though, producers from beyond the Urals have been aiming not just or quite so much at the Moscow market, but rather more at northern Kazakhstan and other Asian countries.

5.1.7. Distribution of Russian films in the EU

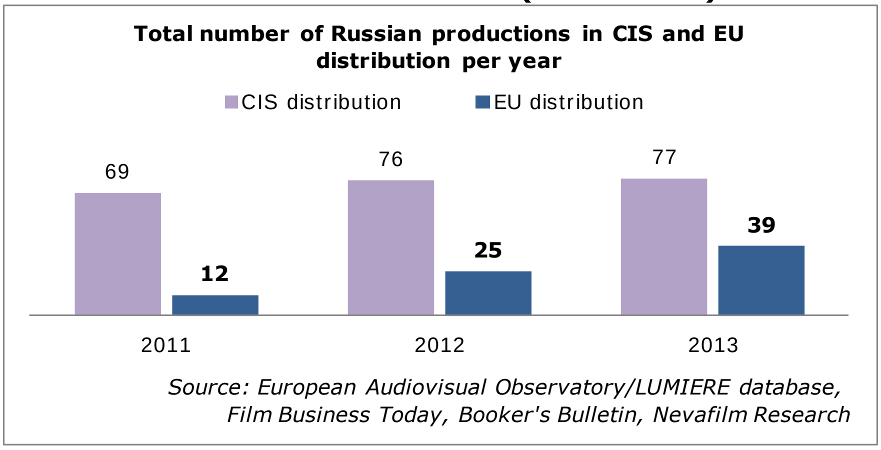
According to data from the European Audiovisual Observatory[80], of the 204 Russian films (including co-productions) released to the CIS market during 2011–2013, 57 were distributed in the 28 countries of the European Union.[81] The number of Russian films on the EU market is growing every year. Prior to 2012, there were never more than 20 in any given year (this figure includes archive films made in the USSR).[82] In 2012, the number of new Russian films on the EU market reached 25, rising to 39 in 2013. This is evidence of the growing export ambitions of Russian producers.

[80] LUMIERE database – http://lumiere.obs.coe.int

[81] Nevafilm Research has examined all Russian productions that, according to the LUMIERE database, were released on the international market and that were in CIS distribution from 2011 through to the first half of 2014, and has analysed data on films released for EU distribution from 2011 to 2013. This methodology means that films that were shown during that period in EU cinemas but not in the CIS (because they had been released earlier on the domestic market) are not taken into consideration. In other words, this study constitutes a comparison of the distribution of new Russian films which, in our view, is a better reflection of producers' export policies.

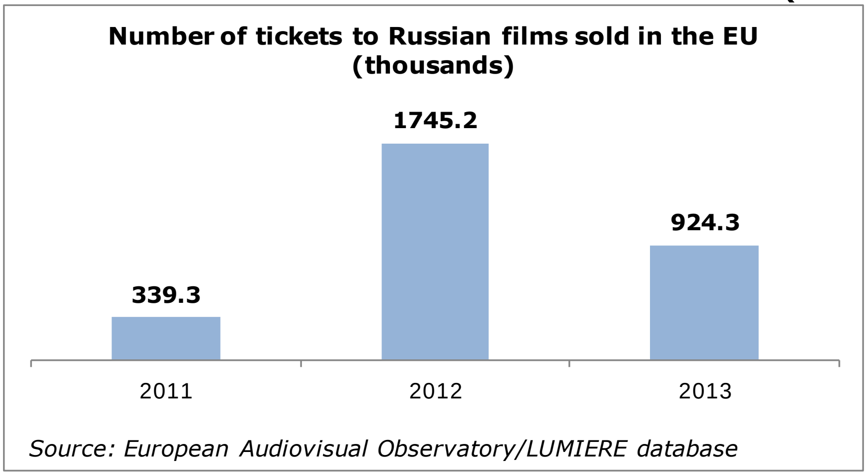
[82] See also Distribution of Russian Films in the EU (2007–2011) in the report The Film Industry in the Russian Federation: 2012, http://publi.obs.coe.int/documents/205595/552774/RU+Film+Industry+2012+Nevafilm+EN.pdf/2a99cc4b-6946-44c3-954e-accda3e942b2

Figure 37. Total number of Russian productions, including co-productions, in CIS and EU distribution (2011–2013)



At the same time, admissions for Russian films in the European Union remain modest, and depend on the release of US co-productions. For example, in 2012, the film *The Darkest Hour* added more than a million to the number of cinemagoers who saw Russian productions. Overall, Russian films account for less than 1% of total admissions in the EU (0.04% in 2011, 0.18% in 2012, and 0.1% in 2013).[83]

Figure 38. Number of tickets to Russian films sold in the EU (2011–2013)



Russian films are released in their greatest numbers in post-Soviet countries, including Estonia, Latvia, Lithuania, and Poland. However, they attract the highest level of audience interest in France (which over three years has accounted for 19% of the tickets sold to Russian films in the EU), Poland (mainly thanks to the joint Russian–Polish production *Aftermath*, which in fact attracted 800 times more cinemagoers in Poland than in Russia), the United Kingdom, Italy, and Lithuania.

[83] According to data published by *Focus* magazine, issued by the European Audiovisual Observatory, admissions in the European Union in 2011 stood at 968 million, in 2012 – 946 million, and in 2013 – 907 million.

Table 32. Admissions for Russian films in the EU by country, 2011–2013

Country	ISO code	No. of films	Attendance (thousands)	Share of films	Share of admissions
France	FR	8	558.6	14%	19%
Poland	PL	13	517.2	23%	17%
United Kingdom	GB	10	270.2	18%	9%
Italy	IT	3	233.6	5%	8%
Lithuania	LT	21	214.3	37%	7%
Netherlands	NL	9	162.0	16%	5%
Estonia	EE	30	166.0	53%	6%
Spain	ES	4	155.7	7%	5%
Latvia	LV	21	124.8	37%	4%
Germany	DE	4	124.3	7%	4%
Hungary	HU	6	89.3	11%	3%
Austria	AT	8	61.1	14%	2%
Belgium	BE	2	54.8	4%	2%
Sweden	SE	4	48.9	7%	2%
Romania	RO	4	48.5	7%	2%
Bulgaria	BG	2	35.0	4%	1%
Portugal	PT	7	30.4	12%	1%
Czech Republic	CZ	5	28.0	9%	1%
Greece	GR	5	24.2	9%	1%
Croatia	HR	2	20.7	4%	1%
Finland	FI	3	12.7	5%	0%
Slovakia	SK	4	11.4	7%	0%
Slovenia	SI	2	8.8	4%	0%
Denmark	DK	1	8.4	2%	0%
Ireland	IE	-	-	-	-
Luxembourg	LU	-	-	-	-
Malta	MT	-	-	-	-
Cyprus	CY	-	-	-	-
EU total		**57**	**3,008.7**	**100%**	**100%**

Source: European Audiovisual Observatory/LUMIERE database

Not counting US co-productions (*The Darkest Hour* and *Machete Kills*), the art-house films *Faust* and *Elena* enjoyed the widest European distribution, with each shown in cinemas in more than 10 European Union countries. These were followed by the art-house films *In the Fog* (9 countries) and *Innocent Saturday* (5 countries). Each of these films earned two to four times more in Europe than on the domestic market. The most successful commercial film in Europe during that three-year period (2011–2013) was the animated fairy tale *The Snow Queen*, which attracted 137,000 cinemagoers in five EU countries (12% of the number of tickets it sold in the CIS).

Perhaps in 2014–2015, a new leader in Russian exports will emerge on the European (and even global) film market. Andrey Zvyagintsev's film Leviathan, which won the Best Screenplay award at the 2014 Cannes Film Festival, was named Best Film at the London Film Festival, was nominated for a European Film Award in the Best Film category, and has been selected as Russia's official Oscar entry in the Best Foreign Film category this year. The film is slated for Russia-wide release in February 2015, having encountered the need to be re-dubbed after amendments to Law No. 53-FZ 'On the state language of the Russian Federation' went into effect on 1 July 2014, prohibiting the use of profanities on television and radio, in film distribution, and in public performances of works of art (see section 2.1.1.). In anticipation of its Oscars submission and in compliance with the formal procedures and the qualification requirements, the film had a week-long public run at a cinema in Russia. By now, distribution rights have been acquired by more than 50 countries, including the US, where it will be distributed by Sony Pictures Classics. On 13 November 2014, Leviathan opened in cinemas in the UK.

Table 33. Top 20 Russian productions in EU distribution (2011–2013)

#	Title	Country of production	EU distribution year	EU distribution countries	EU admissions (thousands)	CIS admissions (thousands)
1	*The Darkest Hour*	US/RU	2011, 2012	AT, BE, BG, CH, CZ, DE, DK, EE, ES, FI, FR, GB, GR, HR, HU, IT, LT, LV, NL, PL, PT, RO, SE, SK	1,018.0	934.2
2	*Machete Kills*	US/RU	2013	AT, BG, CZ, EE, FI, FR, GB, GR, HR, HU, IT, LT, NL, PL, PT, RO, SE, SI, SK	470.9	384.6
3	*Aftermath*	PL/RU	2012, 2013	PL	325.2	0.4
4	*Faust*	RU	2011, 2012, 2013	AT, CZ, DE, ES, FI, FR, GB, HU, IT, NL, PL, PT, RO, SE, SK	220.4	104.1
5	*Elena*	RU	2011, 2012, 2013	BE, ES, FR, GB, GR, HU, LV, NL, PL, PT, SE	204.0	100.3
6	*The Snow Queen*	RU	2012, 2013	EE, LT, LV, NL, PL	136.9	1,123.5
7	*Yolki 2*	RU	2011, 2012	EE, LT, LV	50.7	4,140.8
8	*Six Degrees of Celebration [Yolki]**	RU	2010, 2011, 2012	EE, LT, LV	46.0	3,745.0
9	*Bitter! [Gorko!]*	RU	2013	EE, LT	43.7	3,705.3
10	*Vysotsky. Thank God I'm Alive*	RU	2011, 2012, 2013	AT, DE, EE, LV, PL	43.6	4,262.00
11	*In the Fog*	DE/NL/BY/RU/LV	2013	EE, FR, GB, GR, HU, NL, PL, PT, RO	36.1	7.3
12	*Innocent Saturday*	RU/DE/UA	2011	LV, AT, EE, LT, LV	33.8	16.2
13	*Lucky Trouble*	RU	2011	AT, EE, LT, LV	33.7	1,950.0
14	*What the Men Are Up To [Chto tvoryat muzhchiny]*	RU	2013	EE, LT	29.9	1,394.0
15	*The Jungle [Dzhungli]*	RU	2012	EE, LV	29.6	1,415.0
16	*Devil's Pass*	US/GB/RU	2013	CZ, GB, HU, LT, SK	28.9	717.4
17	*Yolki 3*	RU	2013	EE, LT	23.5	1,829.5
18	*Gentlemen of Fortune 2 [Dzhentlmeny, udachi!]*	RU	2012, 2013	EE, LT, LV	21.3	1,374.7
19	*Twilight Portrait*	RU	2012, 2013	FR, NL, PL	16.7	25.7
20	*Here's Carlson! [Tot eshchyo Karloson!]*	RU	2012	EE, LV	16.5	1,700.0

* includes distribution in 2010

Source: European Audiovisual Observatory/LUMIERE database, Film Business Today, Booker's Bulletin, Nevafilm Research

As we can see, the art-house character which has so clearly defined Russian exports remains their main feature. Russian blockbusters, which receive advertising support from the main national television channels, are more in demand on the domestic market, but festival projects with limited distribution in Russia attract bigger audiences in Europe.

5.2. Principal players

In all, as of mid-2014, about 35 companies are operating in the Russian film distribution sector (disregarding companies created to distribute a single film, those engaged in regional film production, and those specializing in alternative content). Distributors operating in Russia may be divided into groups depending upon the nature of the content they work with:

- direct representatives of major Hollywood studios on the Russian market (Universal Films International, Walt Disney Studios Sony Pictures Releasing, 20th Century Fox CIS)
- official representatives of Hollywood majors (Karo Premier for Warner Bros. films, Central Partnership with its Paramount package)
- independent distribution companies that release films with fairly wide distribution (over 100 copies): Nashe Kino, Paradise, A Company (releases films only in partnership with 20th Century Fox CIS), West, Volga, DreamTeam, Caravella DDC, Top Film Distribution, Luxor, A-One Films, Kinografiya, Premium Film, Cinema Prestige, Cascade Film, Exponenta, and Kinologistika
- independent distributors whose films are distributed on limited release (up to 80 screens): Arena, Russkiy Reportazh, Raketa Releasing, Reanimedia (Japanese animation), and Premier Kinoprokat
- independent film distributors working with very limited releases (up to 20 screens) – as a rule, these are art-house films for cinephiles or films with specific ethnic content: AKM, P&I Films, PROvzgliad, Cinema Without Frontiers, Krasnaya Shapka Films (Indian cinema), and UMS Film.

We should also note that the representatives of the film majors go beyond just Hollywood releases. They also release independent films, including Russian productions.

Furthermore, there are several vertically integrated holdings on the market: Paradise, Luxor, West, and Premier Kinoprokat all have their own cinema chains, while Central Partnership, Paradise, Bazelevs, and DreamTeam are also production companies. Several distributors are also the official representatives of Russian producers, although they are not part of the same holding; for example, Nashe Kino cooperates with CTB, and Enjoy Movies works with Karoprokat.

Table 34. Biggest film distributors in Russia by box office returns, ranked as of 1 July 2014*

#	Distributor	Box office returns (millions of RUB) and market share				No. of films in distribution and market share			
		2011	2012	2013	H1 2014	2011	2012	2013	H1 2014
1	20th Century Fox CIS	3,379.8	5,092.8	6,415.9	**4,727.7**	18	19	30	**15**
		9.4%	*13.0%*	*14.4%*	***19.3%***	*5.1%*	*4.5%*	*6.1%*	***6.7%***
2	Central Partnership	8,904.8	5,355.1	5,967.9	**4,377.7**	38	33	33	**21**
		24.8%	*13.6%*	*13.4%*	***17.9%***	*10.7%*	*7.8%*	*6.7%*	***9.3%***
3	Karo Premier/ Karoprokat	4,221.7	5,664.2	6,905.9	**3,921.9**	24	30	22	**15**
		11.8%	*14.4%*	*15.5%*	***16.0%***	*6.8%*	*7.1%*	*4.5%*	***6.7%***
4	WDSSPR	9,112.4	9,719.5	11,682.1	**3,917.5**	31	31	39	**11**
		25.4%	*24.8%*	*26.2%*	***16.0%***	*8.8%*	*7.3%*	*7.9%*	***4.9%***
5	UPI	2,638.8	4,729.9	4,891.2	**2,277.4**	18	24	22	**6**
		7.3%	*12.0%*	*10.9%*	***9.3%***	*5.1%*	*5.7%*	*4.5%*	***2.7%***
6	Nashe Kino	1,817.7	1,326.9	2,059.6	**1,065.8**	13	11	25	**14**
		5.1%	*3.4%*	*4.6%*	***4.3%***	*3.7%*	*2.6%*	*5.1%*	***6.2%***
7	Paradise	2,191.9	1,364.4	1,814.3	**950.5**	25	28	28	**12**
		6.1%	*3.5%*	*4.1%*	***3.9%***	*7.1%*	*6.6%*	*5.7%*	***5.3%***
8	A Company (with 20th Century Fox CIS)	-	516.1	480.3	**912.5**	-	1	6	**5**
		-	*1.3%*	*1.1%*	***3.7%***	*-*	*0.2%*	*1.2%*	***2.2%***
9	Bazelevs	950.5	581.5	1,827.2	**876.8**	2	5	9	**1**
		2.6%	*1.5%*	*4.1%*	***3.6%***	*0.6%*	*1.2%*	*1.8%*	***0.4%***
10	West	1,459.0	2,496.1	817.3	**780.6**	11	15	27	**10**
		4.1%	*6.4%*	*1.8%*	***3.2%***	*3.1%*	*3.5%*	*5.5%*	***4.4%***
11	Volga	256.8	773.9	961.7	**364.7**	11	12	16	**10**
		0.7%	*2.0%*	*2.2%*	***1.5%***	*3.1%*	*2.8%*	*3.3%*	***4.4%***
12	DreamTeam	-	-	-	**352.7**	-	-	-	**6**
		-	*-*	*-*	***1.4%***	*-*	*-*	*-*	***2.7%***
13	Caravella DDC	124.6	465.7	187.8	**257.2**	24	18	20	**7**
		0.3%	*1.2%*	*0.4%*	***1.0%***	*6.8%*	*4.2%*	*4.1%*	***3.1%***
14	Top Film Distribution	725.0	594.1	248.4	**247.9**	26	29	28	**9**
		2.0%	*1.5%*	*0.6%*	***1.0%***	*7.3%*	*6.8%*	*5.7%*	***4.0%***
15	Luxor	510.0	390.5	441.6	**239.2**	16	14	13	**7**
		1.4%	*1.0%*	*1.0%*	***1.0%***	*4.5%*	*3.3%*	*2.6%*	***3.1%***
16	A-One Films	-	-	9.0	**124.5**	-	-	9	**4**
		-	*-*	*0.0%*	***0.5%***	*-*	*-*	*1.8%*	***1.8%***
17	Kinografiya	-	-	4.0	**96.7**	-	-	4	**7**
		-	*-*	*0.0%*	***0.4%***	*-*	*-*	*0.8%*	***3.1%***

#	Distributor	Box office returns (millions of RUB) and market share				No. of films in distribution and market share			
		2011	2012	2013	H1 2014	2011	2012	2013	H1 2014
18	Premium Film	35.7	102.9	561.9	**59.7**	9	20	19	**8**
		0.1%	*0.3%*	*1.3%*	***0.2%***	*2.5%*	*4.7%*	*3.9%*	***3.6%***
19	Cinema Prestige	1.0	33.0	59.7	**57.4**	1	14	18	**5**
		0.0%	*0.1%*	*0.1%*	***0.2%***	*0.3%*	*3.3%*	*3.7%*	***2.2%***
20	Cascade Film	414.3	385.5	165.5	**41.2**	12	13	8	**4**
		1.2%	*1.0%*	*0.4%*	***0.2%***	*3.4%*	*3.1%*	*1.6%*	***1.8%***

*In cases of co-distribution, the numbers for films in distribution and box office returns relate to all companies participating in the partnership, as no information is available regarding each company's share.

Source: Film Business Today, Booker's Bulletin, Nevafilm Research

5.3. Principal trends and prospects for development

- The digital revolution in the global film industry allowed films to be screened at lower cost and helped to increase the number of independent players on the Russian market experimenting with both wide and limited releases. But by 2014, the potential for digital technology to expand the Russian film industry and increase distribution figures had been exhausted. It has become evident that the time for experimentation is over, and for some of the oldest and strongest independent distributors, those experiments were unsuccessful. The second half of 2014 saw the departure from the market of Cinema Without Frontiers, which had been partially owned by Alexander Rodnyansky's media corporation A.R.Films since 2010, and which passed the rights to its film library on to A Company.[84] The same happened to Carmen Film, which first stopped releasing art-house films under the Alternative Cinema label, and then shut down the Caravella DDC brand. It is interesting to note that several projects shut down by distributors were actually returned to the rights holders without ever being released in Russian cinemas. The owners of Cinema Without Frontiers[85] and Caravella[86] agree that turning a profit from quality independent and art-house cinema in Russia has become impossible since the fall in both prices and purchasing on the part of broadcast television channels. The number of cinemas in the country willing to show complex films is not getting any larger, and Internet sales have not yet proven worthwhile due to high levels of video piracy. Similar problems may lead to further reductions in the ranks of film distribution companies and the consolidation of the Russian market.
- The number of companies releasing alternative content for the big screen is also shrinking. In 2014, only specialized companies were active in this segment. A particular aspect of this type of distribution has emerged ever more clearly: projects like these, especially those dedicated to classical music, have very long screen lives. They are continually appearing in new venues, and also returning to cinemas where they have already been shown, thereby helping audiences become accustomed to regular screenings of operas and ballets.
- Digital technologies have also given a boost to regional cinema. Local films are being released in more regions and enjoying greater popularity among cinemagoers, and producers are starting to think about exporting their films outside their home republics and even outside Russia. In the near future, we can expect that Russian producers from Siberia and the Far East will move onto markets in

[84] A. Dyakov. Cinema Without Frontiers: A Future of Bankruptcy? // http://cinemaplex.ru/2014/10/22/kino-bankrotstvo.html (Russian only)
[85] A. Dyakov. What Is Happening to Cinema Without Frontiers? A Tough Business for Independent Distributors // http://cinemaplex.ru/2014/04/22/cinema-without-frontiers.html (Russian only)
[86] Igor Lebedev: Exclusive Commentary on the Fate of Caravella DDC // http://cinemaplex.ru/2014/07/06/igor-lebedev-comment.html (Russian only)

the Asian countries that are culturally close to them; the bulk of such exports will be commercial films.

- At the same time, Russia's main export to Europe will continue to be art-house projects that attract modest audiences. The most important European markets for Russian productions will continue to be the former Soviet countries and France. This has been the case for many years now, and there is no reason to expect it to change in the near future.
- Russia's domestic film distribution market has stalled, due to slowing expansion by cinema chains and the completion of the transition to digital distribution. The rapid rise in admissions seen in past years will not be repeated, partly due to the slow growth in film consumption as the approaching demographic gap and falling number of 18-to-25-year-olds – those who visit cinemas most frequently – begins to impact film distribution.
- Furthermore, currency fluctuations will most likely result in the stagnation or even reduction of box office takings in dollar terms, perhaps as soon as the end of 2014. While international sanctions are in place and the economic situation in the country deteriorates, demand for film services will become more elastic. This may lead to lower ticket prices, the growth of which has slowed markedly, dropping below the rate of inflation.

All this means that Russian distributors and their foreign partners can expect difficult years ahead in the face of a stagnating market, falling demand (due to a shrinking youth audience), and the fact that digital distribution is no longer the driver for increased efficiency that it once was. Only the largest and most creative companies will survive in this competitive marketplace.

CHAPTER 6. THE HOME VIDEO MARKET

6.1. Industry structure

6.1.1. Methodological aspects

No official, systematic statistics concerning video for home viewing on physical media in Russia have ever been kept. In the light of the large market for pirate products, which developed back when the country began its transition to a market economy due to legislative shortcomings (the stalled accession to the Berne Convention and, later, the dissemination of 'sublicences'[87]), this segment of the film industry has remained of little interest to producers or the government. As a result, there was never any suggestion of introducing an equivalent of the CAIS for the video market. Private companies have likewise failed to establish an open system of regular reporting on video and DVD sales. The only such attempt was made by *Videomagazine*, which up until 2011 published aggregate weekly figures for several big video distribution companies, but their reports did not cover the entire market. Several foreign companies have also engaged in market evaluation (IHS/Screen Digest, GFK), but their reports were commercial in nature and are not available for analysis as part of this study.

Therefore, the chief method of examining the market for home video on physical media in Russian is by analysing the lists of releases available in public sources. Traditionally, those lists were published by *Videomagazine*. Starting in 2008, the electronic weekly *Video Market Bulletin* offered some competition, but both publications had ceased to exist by early 2012. Currently, the only public source of data on the dates and distributors of releases in Russia is the Kinopoisk website (kinopoisk.ru). We used the information from this site to compile lists of DVD and Blu-ray (BD) releases for 2012–2014. The lists of the major distributors were additionally verified by Nevafilm Research through inquiring with the distributors directly. Based on the data collected, the lists of video releases for the period from 2011 to the first half of 2014 was analysed to determine the type of content, country of production, number of new releases, and distribution companies.

Furthermore, the study included expert interviews with Russian home video market players and content analysis of press reports to identify major trends and the prospects for development in this segment of the film sales market in Russia.

6.1.2. Current market conditions

The history of the Russian home video market dates back to the 1990s. Major turning points, all of which have affected the market in a

[87] see also Section 3.5.1. Origins of the Home Video Market, in *The Film Industry in the Russian Federation 2012* – http://www.obs.coe.int/documents/205595/552774/RU+Film+Industry+2012+Nevafilm+EN.pdf/2a99cc4b-6946-44c3-954e-accda3e942b2

very negative way, included the 1998 default, the explosion of DVD piracy in 2002–2003, and the global financial crisis of 2008–2009, following which the video market entered a gradual decline. The main reasons for this were the ubiquitous rise of the Internet; the consequent explosion of online piracy, no longer dependent on physical media; and the rapid development of legitimate digital distribution channels.

Experts polled in the summer of 2014 agreed that after 2012, they noted an especially sharp decline in the home video market. While previously sales volumes had shrunk by 10–20% a year, after 2012 the decline amounted to 20–40% a year. The main reason for such a quick collapse of the market was the falling number of sales outlets for video discs in Russia. Several specialized chains have either left the market altogether or markedly scaled back the number of their stores, including Soyuz Video, Hit Zone, Nastroenie, and Purpurnyi Legion. Not only the major chains selling electronics, but also large supermarkets that had contributed to the quick growth in disc sales from 2006 to 2007, have since reduced or eliminated shelf space for DVDs and BDs. Now, chains like Auchan, O'key, and Lenta may not even stock discs in their new stores, while the volume and variety of films on offer are being reduced in the old ones, where they are being displayed in 'basket' assortments of miscellaneous discs sold at a single – usually discounted – price. The only food seller that still offers videos on physical media more or less consistently is the premium Azbuka Vkusa chain, with its specialized Stereo Delicacies brand, found in some of the company's supermarkets.

The decreasing number of sales outlets, combined with the shift towards a cheaper range of products, has hit Blu-ray discs the hardest. Video distributors have reduced production volumes. In 2010–2012, category A films on BD averaged 5,000 to 10,000 copies, but by 2014 that volume had plunged to 2,000–3,000. DVD production was similarly reduced: from 100,000 copies to an average of 30,000–40,000.

One other negative trend contributing to the shrinking of sales and manufacturing lies in the declining interest in discs across Russia's regions. In the regions, discs were primarily sold through supermarket chains, and these stores have lost interest in this product line over recent years. Several years ago, most distributors made sure to release 'regional' versions of films – for example, without bonus materials or the original soundtrack – for sale outside Moscow, but now demand and circulation for such products have noticeably decreased. The 1:3 ratio between sales volumes of bargain (regional) and full-price (complete) discs in 2010 had dropped to 1:1 by 2014. Broadband Internet access is becoming more widely available across the regions, and people are becoming more familiar with legal video on demand online services. There is a growing interest in both free and paid video-streaming apps and websites.[88]

The shrinking of the market has caused some of the major DVD and BD manufacturers to go out of business. The spring of 2013 saw the closing of DVD Club, followed a year later by Laser Video Multimedia, Russia's first BD manufacturer. Consequently, the country's biggest disc

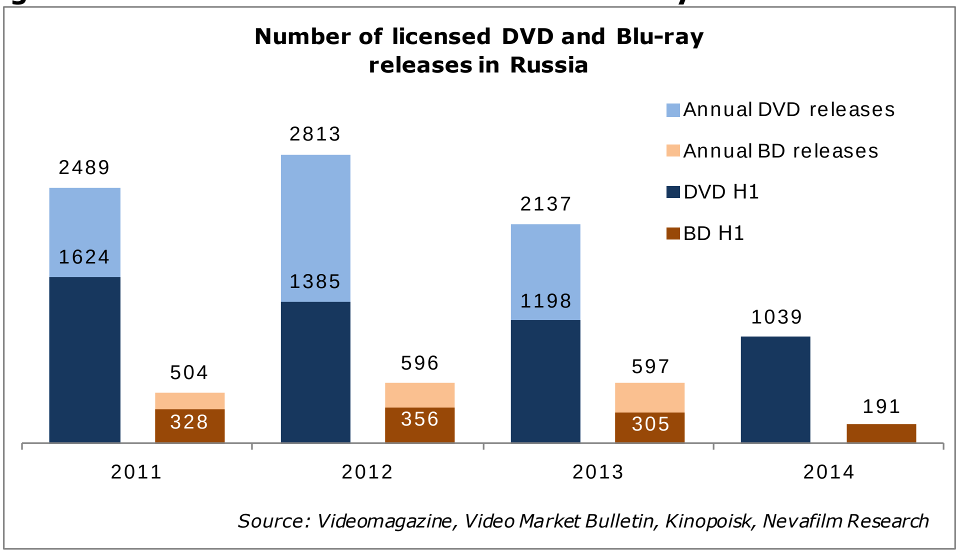
[88] This has also resulted in a sharp decrease in the circulation of pirated copies on physical media in Russia, which, according to experts, have all but disappeared.

manufacturer is currently Sony DADC, delivering to Blu-ray all the films by Hollywood heavyweights.

6.1.3 Market structure by number of releases

Taking stock of lists of video releases shows that, despite reduced production and sales volumes, the range of films offered to Russian consumers did not shrink as drastically in 2013–2014. In 2011, around 2,500 films were released on DVD and 500 on BD. In 2012, the number of releases increased to 2,800 and 600 respectively, whereas over the past two years, films released on DVD have averaged around 2,000 a year. Meanwhile, the number of titles released on BD decreased by a third in one year (from 300 to 200 in the first half of the year). Thus, the decrease in shelf space allotted to BDs at large supermarkets and hypermarkets has shaped video distributors' choices when it comes to releases in that format. Another factor influencing the number of BD releases in Russia in 2014 stems from a drop in activity by Sony Pictures, a representative of Hollywood studios, which temporarily halted its releases in May, while it acquired a new Russian distributor. The company did not resume its releasing activity until August, under the CP Distribution brand.

Figure 39. Number of licensed DVD and Blu-ray releases in Russia



As for the proportion of new releases, the DVD segment has been relatively stable. Distributors have stuck to a consistently equal ratio of new releases (films made within the past two years) to films from the existing catalogue. On the other hand, since 2012, the Blu-ray market has showed a trend towards releasing fewer archive titles. In this premium format, copyright holders increasingly prefer to release only the latest films, still fresh in viewers' minds after their cinema runs. Whereas in 2011, new titles comprised 49% of BD releases, in the first half of 2014, this figure went up to 74%.

Figure 40. Structure of the licensed Russian DVD market by new releases

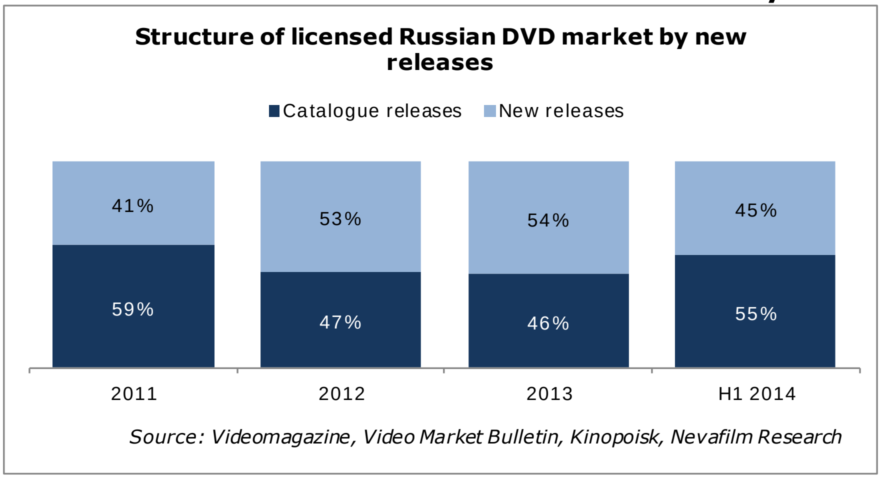
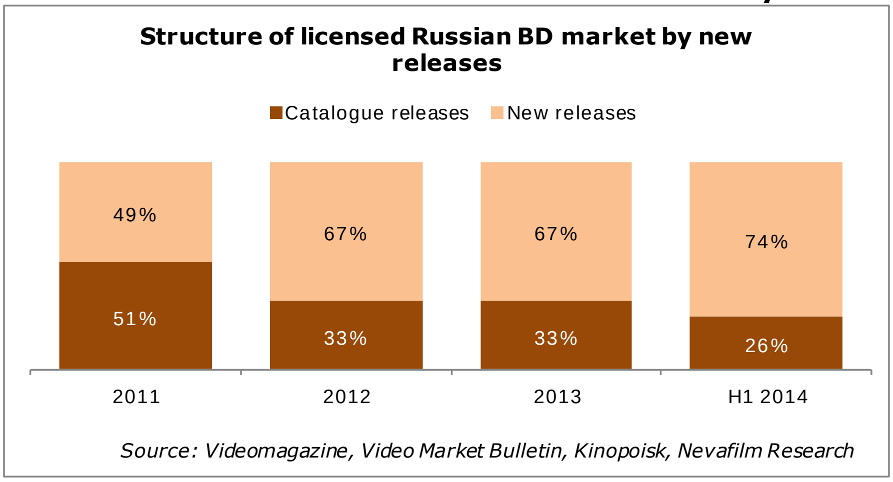


Figure 41. Structure of the licensed Russian BD market by new releases



Titles released on DVD and BD in Russia are predominantly feature films, with Blu-ray releases averaging 10 percentage points higher in this category (57–67% – depending on the year – and 67–84%, respectively). Animated films and series come in second in terms of numbers of titles released. Notably, their share of DVD releases in recent years has grown rapidly, from 15–20% to 30%, while on Blu-ray, it has remained constant at around 15–20%. It would seem that featured television series are on their way out. Releases peaked in 2012, when practically all Russian series broadcast over terrestrial television channels were released on DVD. Now, their share of all DVD releases is down to 2%. TV series occupy a slightly more prominent position on Blu-ray (4% in 2014). The BD format tends to select higher profile series compared to the DVD format, focusing mainly on big-budget foreign television productions (*Game of Thrones*, *Sherlock*, etc.). The share of documentary films and series (including educational and entertainment programmes and TV broadcasts) shows an interesting trend. While such films and series now account for fewer DVD releases (down from 13% in 2011 to 4% in 2013), they represent a higher proportion of BD releases (growing from 3% to 12% over the same time period).

Figure 42. Structure of the licensed Russian DVD market by type of release

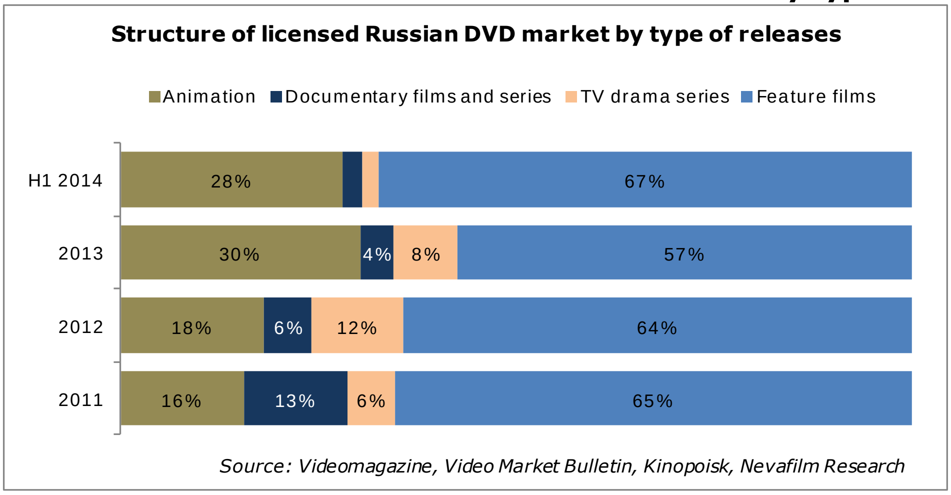
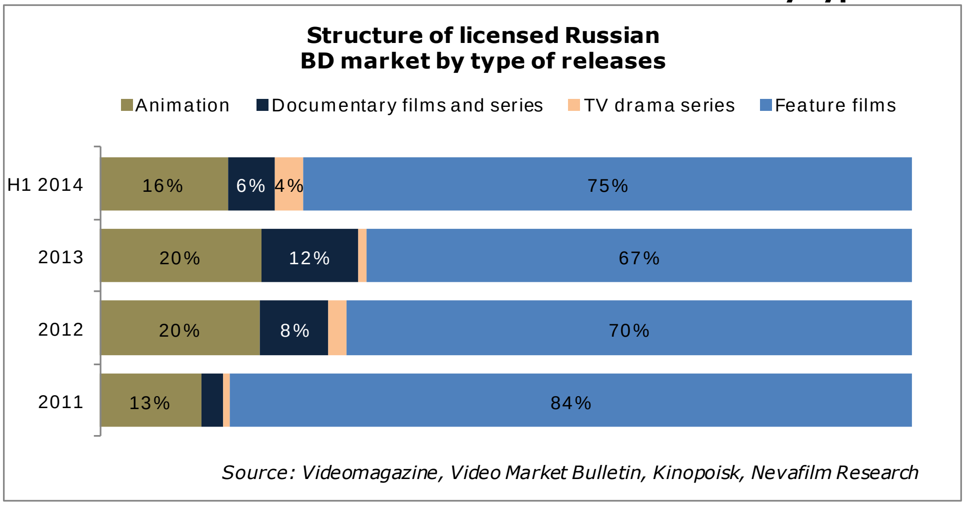


Figure 43. Structure of the licensed Russian BD market by type of release



Thus, the Russian licensed release market for home video clearly gravitates towards feature films, but with a different breakdown across DVDs and BDs. DVDs are focusing more on children's programming and animation, while BDs offer more blockbuster high-budget fare, including TV series and documentary films.

The number of Russian releases as of the end of the first half of 2014 totalled 353 titles on DVD (34% of the total number of releases) and 34 on BD (18% of total releases). Every year, Russian producers take up a bigger share of the home video market by the number of titles released. Among foreign releases, the biggest share has traditionally belonged to North American productions, accounting for around 40% of DVDs and 50% of BDs. Usually, up to one third of titles released on video come from European countries, but in the first half of 2014, European DVD releases lost ground, their share falling to 19%. This has to do with the changes in the video manufacturers supplying the market. Carmen Video, one of the major suppliers of independent American and European cinema on the Russian market, has released no discs since April 2014. Cinema Prestige, specializing in art-house films, put out no releases between March and August 2014. Flagman Trade, a leader in recent years by numbers of releases, ceased its operations. Products from other countries, including those from Asia, represent a minimal share of the Russian market: 4% of DVD and 2% of BD releases.

Figure 44. Structure of the licensed Russian DVD market by country of production (number of releases)

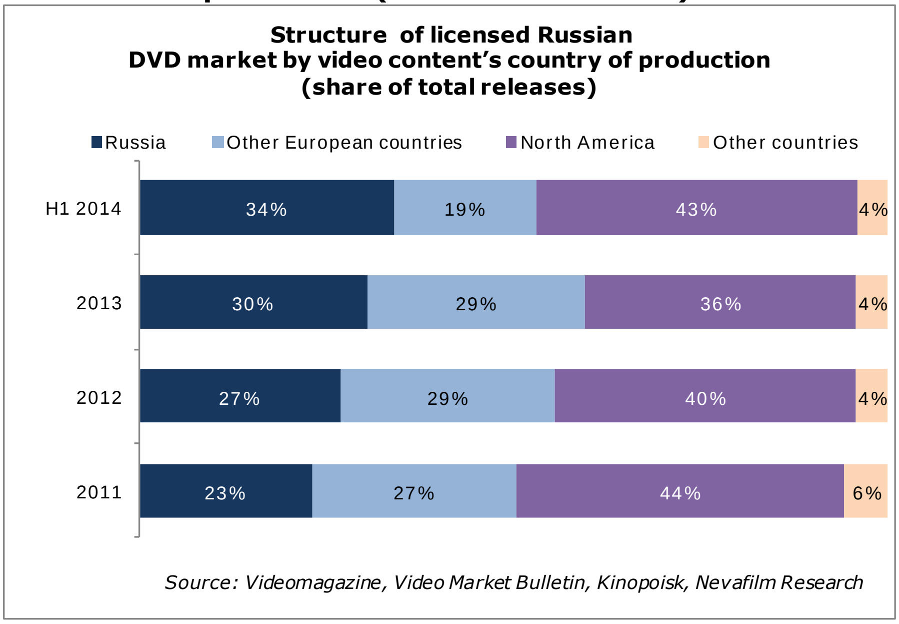
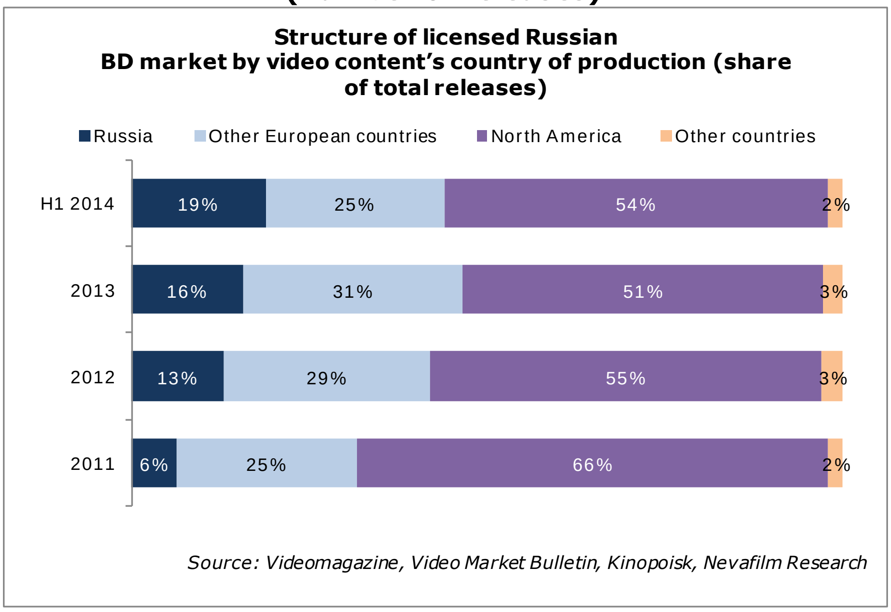


Figure 45. Structure of the licensed Russian BD market by country of production (number of releases)



As part of the war being waged by copyright holders and distributors against video piracy, for a while on the Russian market, there was a gradual reduction in the time window between a film's premiere in cinemas and its release on video. But after 2009, that situation started to change: Hollywood studios started to refuse to issue 'cropped' versions of cinema releases within short windows. Every year, this problem becomes less relevant in light of the overall decrease in disc sales. Now, films released via premium VOD services before their release on DVD and BD, or even while they are still being shown in cinemas, have taken centre stage. For instance, the Play paid service made this part of its strategy in

2013. It informs users by labelling such films in their library as 'now in cinemas'.

Currently, the average time window for films to be released on the Russian video market is 113 days, with Russian productions averaging a shorter period of only 89 days, compared to foreign films (121 days). The median size of the window before video release is 85 days. Median values for the window have grown particularly rapidly since 2012, mostly for foreign video releases, where it reached 96 days in 2014, almost twice the length of the window for Russian films (54 days).

Figure 46. Average time window between the premiere of a film in Russian cinemas and its release on DVD

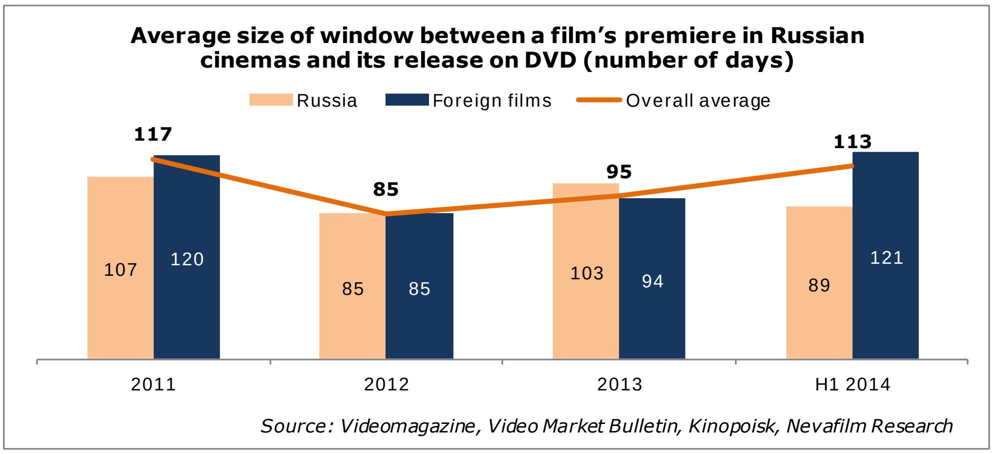
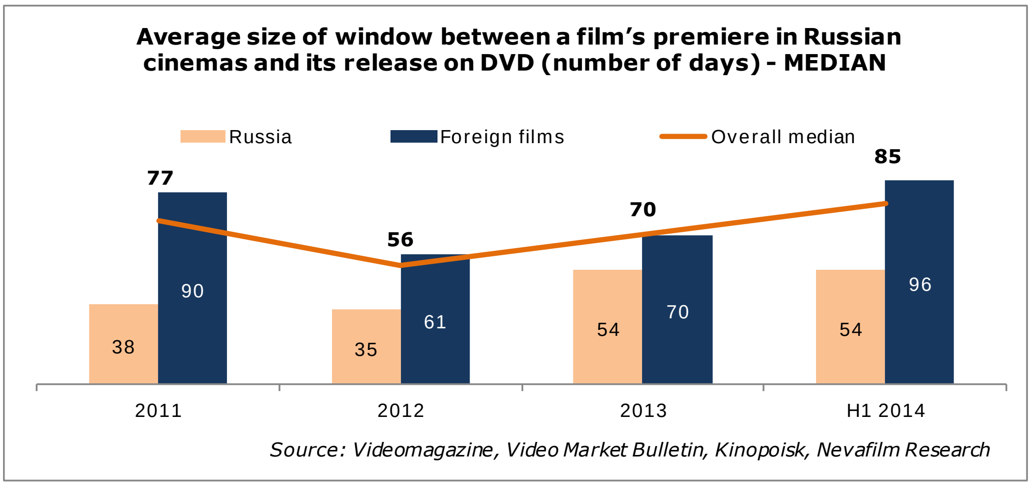


Figure 47. Average time window between the premiere of a film in Russian cinemas and its release on DVD: MEDIAN



6.2. Principal players

Overall, as of mid-2014, the Russian licensed video market numbered fewer than 20 players, including:

- direct representatives of the Hollywood majors (Twentieth Century Fox CIS has offered 20th Century Fox packages since 2004 and Universal packages since 2011)
- official representatives of the Hollywood majors, who also have large independent packages (Noviy Disk with Paramount since 2012; VideoService with Walt Disney Pictures since autumn 2012,

after the major closed down its office in Russia; Sony Pictures until May 2014; CP Distribution has represented Warner Bros. releases since 2011 and Sony Pictures releases since August 2014)

- independent video distributors offering a wide range of Russian and foreign releases (Russkoe Schast'e, Lizard Cinema Trade, Misteriya Zvuka, Carmen Video, Paradise, Azimut, CD Land, Cinema Prestige, Volga, West Video, WWW.RECORDS, RUSCICO, Olimp-Tel, and Reanimedia)

A look at trends in DVD releases by the top 15 companies in terms of total releases for 2011–H1 2014 reveals that the share of titles being released by those companies is growing rapidly every year. In 2011, video producers outside the top 15 provided around 17% of all releases, while in the first half of 2014, they accounted for merely 2% (see Figure 48).[89] Over the past three years, the leaders in this market have also changed. Traditionally, Noviy Disk and CP Distribution (including releases coming out under the Premium Film label) have held strong positions, while market share has increased for VideoService (after recovering the Disney contract), Lizard Cinema Trade, and CD Land (which have become the leaders in releasing independent films); Flagman Trade, Misteriya Zvuka, Carmen Video, and others had either reduced production or left the market by 2014.

The number of companies releasing BDs is even lower (around 15). The ten biggest in terms of releases for 2011–H1 2014 have retained a stable hold on their market positions. Companies outside the top ten release no more than 7% of all Blu-ray titles. The same three companies lead this segment: Noviy Disk, CP Distribution, and Lizard Cinema Trade (see Figure 49).

[89] In cases when a title is launched simultaneously by several distributors, the release is attributed to all companies involved, resulting in the sum of releases from all producers being larger than the total of all disc titles released.

Figure 48. Biggest DVD distributors' share of the Russian video market by number of releases (2011–H1 2014)

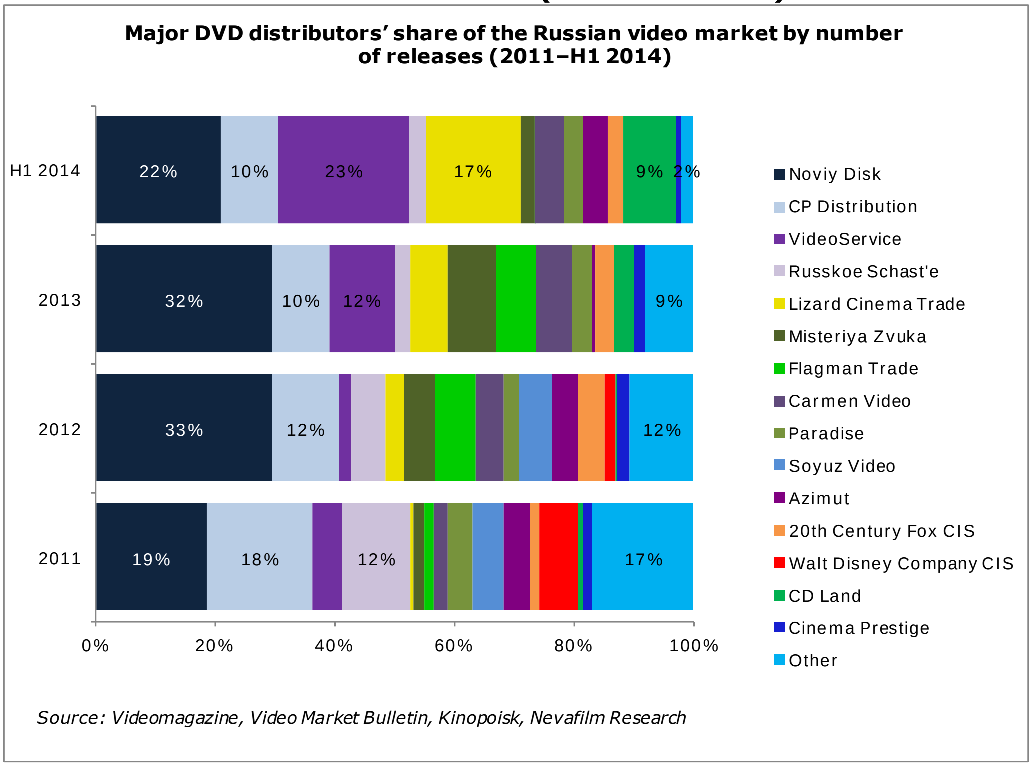
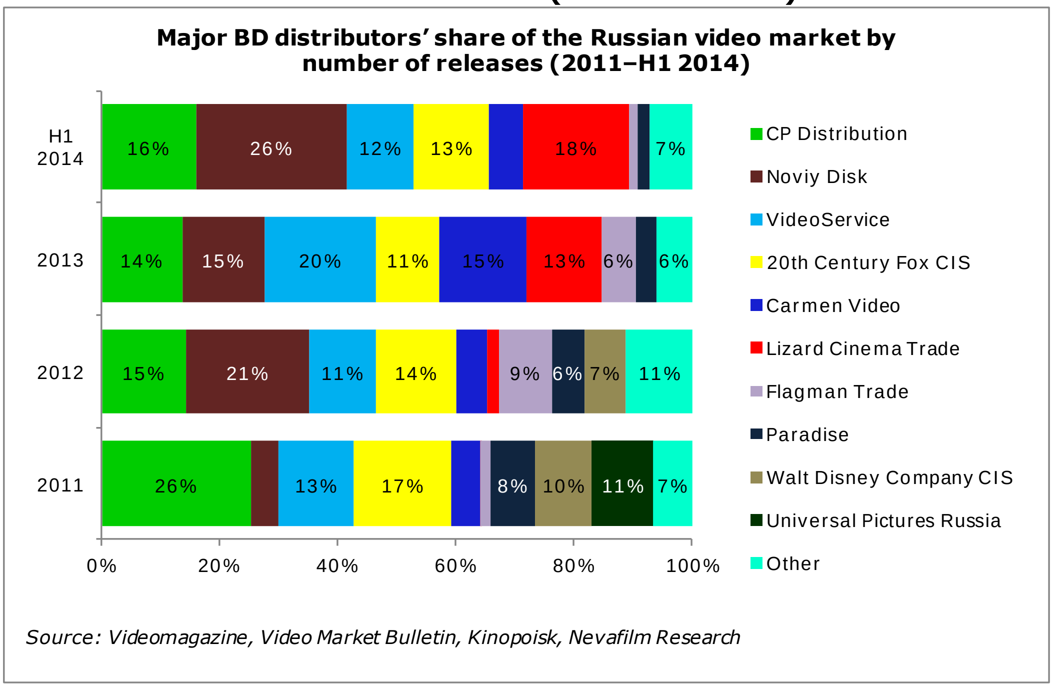


Figure 49. Biggest BD distributors' share of the Russian video market by number of releases (2011–H1 2014)



In terms of genre of DVD releases in the first half of 2014, the breakdown across the leading Russian distributors is as follows (see Table 35). Feature films were most broadly represented in the VideoService and Lizard Cinema Trade packages. Noviy Disk led the field in animated films and cartoon series releases. After Flagman Trade left the market and Misteriya Zvuka scaled back production in 2014, DVD releases of TV series all but ceased. When Soyuz Video and DVD Magic closed down in 2013, documentary releases practically disappeared as well.

Table 35. Ranking of the biggest players on the Russian DVD distribution market, number and type of releases, first half of 2014

Rank	Publisher	Featured TV series	Animation	Feature films	Documentary films and series	Total releases	Market share by number of releases
1	VideoService	0	92	146	5	**243**	23.4%
2	Noviy Disk	0	155	73	4	**232**	22.3%
3	Lizard Cinema Trade	0	8	163	5	**176**	16.9%
4	CP Distribution	6	22	76	2	**106**	10.2%
5	CD Land	5	7	84	0	**96**	9.2%
6	Carmen Video	5	0	42	6	**53**	5.1%
7	Azimut	0	0	47	0	**47**	4.5%
8	Paradise	0	5	31	0	**36**	3.5%
9	Russkoe Schast'e	6	0	23	0	**29**	2.8%
10	20th Century Fox CIS	0	8	20	1	**29**	2.8%
11	Misteriya Zvuka	3	0	21	2	**26**	2.5%
Total, H1 2014		**22**	**293**	**700**	**24**	**1039**	**100.0%**

Source: Kinopoisk, Nevafilm Research

Only two companies release featured television series on Blu-ray in Russia: Lizard Cinema Trade and CP Distribution. Carmen Video, which recently ceased operations, had been the leader in the BD documentary film segment. Noviy Disk releases the most animated and feature films.

Table 36. Ranking of the biggest players on the Russian BD distribution market, number and type of releases, first half of 2014

Rank	Publisher	Featured TV series	Animation	Feature films	Documentary films and series	Total releases	Market share by number of releases
1	Noviy Disk	0	12	36	2	**50**	26.2%
2	Lizard Cinema Trade	5	6	24	0	**35**	18.3%
3	CP Distribution	2	0	29	0	**31**	16.2%
4	20th Century Fox CIS	0	1	24	0	**25**	13.1%
5	VideoService	0	6	14	2	**22**	11.5%
6	Carmen Video	0	0	4	7	**11**	5.8%
7	CD Land	0	1	6	0	**7**	3.7%
Total, H1 2014		**7**	**30**	**143**	**11**	**191**	**100.0%**

Source: Kinopoisk, Nevafilm Research

6.3. Prospects for the development of the video market

While sales volumes for home video on physical media are shrinking on the Russian market, the number of films released on DVD is not decreasing as quickly. Every year, around 2,000 titles come out on disc in Russia. Meanwhile, the recently introduced Blu-ray format has failed to achieve its predecessor's level of popularity, because it was the first to suffer from the reduction in mass disc sales by chain stores: the list of BD releases was cut by a third in 2014.

The number of players on the market is decreasing, not just because the demand for physical media is falling every year, but because of the compounded problems plaguing the distribution market. For instance, the closure of the Carmen Group, which included Carmen Video, Caravella DDC, and Alternative Cinema, was due not only to lower DVD and BD sales, but also to the reduced demand for independent films in cinemas, against a background of rising purchase prices on the international market.

The majors' representation on the video market poses yet another problem. Russian distributors' contracts with Hollywood studios are expiring, and the new ones are being signed for shorter terms. The issue of extending those contracts may prove crucial, because Russian companies are willing to pay less and less for packages offered by the majors, to the point where Hollywood may reject such terms and individual studios may leave the Russian video market altogether.

Overall, we believe that in the next few years, Russia can expect a consolidation of players on the market down to 3–5 video distributors, who, most likely, will concentrate on two areas: 1) new cinema releases and television (series) premieres and 2) expensive collectors' editions from famous film franchises.

For now, the main challenge faced by the major players on the Russian video market is the search for new ways to market their products (for instance, VideoService is shoring up its connection with hypermarkets, supplying them with discount DVD products for sale in 'baskets'; CP Distribution has signed a contract with the Russian postal service) or even expansion into digital distribution (Noviy Disk is actively developing this route, partnering with iTunes).

CHAPTER 7. VIDEO ON DEMAND

7.1. Basic concepts, definitions, and research methodology

7.1.1. Basic concepts

Video on Demand (VoD) – a system enabling the individual delivery of television programmes and films to the subscriber. Subscribers may order films from the catalogue at any time, and the system often supports additional functions, such as rewinding, pausing, and bookmarking.

Several different technologies provide video on demand (VoD) services:

1. Films online (Internet Video on Demand, iVoD) – a way to watch feature films directly through the Internet. Online film streaming services operate using this model, as well as operators of pay TV, who provide VoD using IPTV;
2. Near Video on Demand (NVoD) – a 'virtual cinema' or 'rotating video' digital television service. In this format, pre-formatted content is broadcast according to a set schedule. This model is used by companies such as NTV+ and Akado, whose customers purchase viewings of a film at a specific time.

Online film streaming services – video resources offering legal, professional video content for viewing on demand over the Internet using the OTT model.

VoD Operators – operators offering legal video content on demand through their own managed network (the operator's data transmission network).

Aggregator – a company that establishes multiple agreements with individual content and service providers, as well as with operators, to facilitate the process of delivering content to its users or subscribers.

Rights holder – the individual or legal entity who owns the rights to a particular body of content, e.g., to a film.

SVoD (Subscription Video on Demand) – a service providing access to video content on a subscription basis (monthly, etc.).

EST (Electronic Sell-Through) – a purchase of content that can be viewed multiple times with no time limitations.

AVoD (Advertising Video on Demand) – a service providing access to video content on the condition that the user views advertisements (free for the user).

TVoD (Transactional VoD) – a purchase of content for one-time viewing or short-term rental (as a rule, 48–72 hours).

7.1.2. Classification of VoD services

VoD services are classified according to various criteria:

<u>Agreements with rights holders</u>

- Legal video portals are video portals providing access to content

based on agreements with rights holders. The biggest legal video portals in Russia include ivi.ru, zoomby.ru, and tvigle.ru.
- Illegal video portals ('pirate sites') are portals providing access to video products without the permission of the rights holders. In terms of audience, the biggest portal where illegal videos are still posted is the social media network VKontakte.

Means of earning income
- Pay model – the model by which an online resource provides users with access to video content in exchange for payment (subscription, payments for one-time viewing, payments for downloading). Play operates according to this model, as do the VoD services of pay television operators (Rostelecom, VimpelCom, and others).
- Advertising model – a model for providing access to video content free of charge to the user. The video service earns income from ad placements. Some video resources operating exclusively on the advertising model are zoomby.ru, tvigle.ru, and videomore.ru.

Viewing method
- Streaming video – the user watches videos online, nothing is downloaded. In the pay model (TVoD), there is usually an option offered for delayed viewing under the terms for a short-term rental (as a rule, 48–72 hours). Streaming video accounts for the largest share of legal video content.
- Downloadable video, where the video file is first downloaded by the user to his device. Almost all downloadable video today involves pirate resources. Among the legal video services, Play and Stream, as well as Apple- and Google-owned online content stores, offer download capabilities.

Type of video content
- Video portals including user-generated content (UGC), i.e. content created by users (amateur films posted online; as a rule, copyright does not apply). The biggest portal with the largest volume of UGC in Russia is YouTube.
- Video portals with professional content protected by copyright. First and foremost in this category are films and series to which the video portal owns the rights (predominantly, this means content on platforms such as megogo, ivi.ru, Play, Zoomby, etc.). A few video services also offer original content they produce themselves (for example, Tvigle makes the *Versus* animated films). Furthermore, some online services play television broadcasts with a slight lag time (usually several hours), using so-called catch-up TV technology. Catch-up is primarily used by video portals on the official websites of television channels: 1tv.ru, ntv.ru, tnt-online, and others.
- Hybrid types. Today, many of the portals created as video hosting sites for UGC have crossed over to a hybrid model, offering UGC alongside professional video content. The Video International Analysis Centre (VIAC) reports that on the Rutube portal, licensed

video made up 95% of content at the start of 2014, while on YouTube, it accounted for around 45%. This trend also works in the opposite direction, with video portals specializing in professional video content offering UGC (Tvigle, for example).

Platform

The overwhelming majority of video services (all of the largest ones) currently offer the ability to view on all major device types – computers, mobile devices, and smart TVs.

- Personal computers (Web). The primary device. Viewing on a PC (desktops and laptops) is offered by all online services, without exception.
- Mobile devices (smartphones, tablets). All major online video services offer the ability to watch video content on mobile devices. However, many smaller video portals, such as drugoekino.ru, focus only on PC users.
- Smart TVs are televisions that can connect to the Internet. Among the built-in apps on smart TVs, online video services are certainly the most popular. Currently, apps for the largest video portals are available either on all models of smart TVs (ivi.ru) or on most of them (YouTube, Zoomby, Play, megogo, and others).

Signal delivery technology

- Managed network (operator VoD). Service is provided using the operator's infrastructure for broadband or pay TV, meaning access to the video content is provided only to the operator's subscribers (Rostelecom, VimpelCom, NTV Plus, etc.).
- Unmanaged network (OTT services). Service is available to all Internet users regardless of which broadband or pay TV operator they subscribe to.

7.1.3. Research methodology and calculation methods

This research is a comprehensive analysis of the VoD services market based on the following sources:

- data from market players
- results of a survey of market experts (VIAC , TNS, GfK, AdFox, smart TV equipment vendors)
- special statistical tools (Google Analytics, SimilarWeb, Alexa, SPARK, app store statistics, and others)
- generally accepted measurements relating to online video (TNS and comScore statistics)
- surveys conducted by other companies (GfK's Omnibus)
- press releases and other publicly available information

In assessing the volume of the VoD services market, a bottom-up estimation method was used, according to which the size of the whole market in value terms was calculated as the total revenue from providing VoD services earned by all the major market players. Data on the commercial activities of VoD service providers was requested from all the key market players.

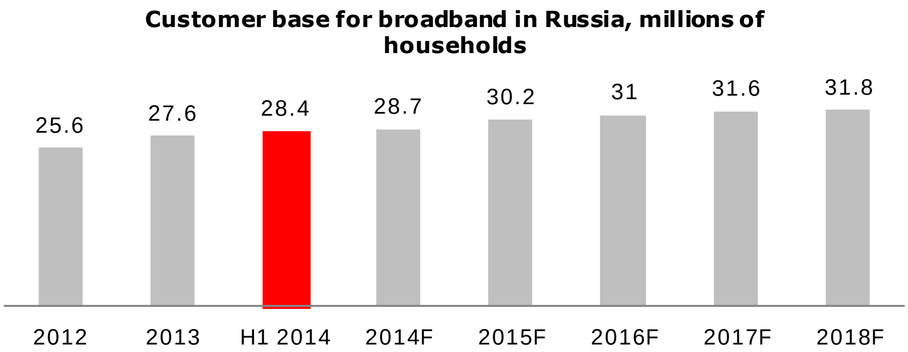
Where there was no information from a provider, iKS Consulting completed its own expert analysis of commercial activity indicators, based on data from statistical tools, overall market indicators, and the opinions of market experts, including competitors.

7.2. Volume and structure of the VoD market in the first half of 2014

7.2.1. Volume and structure of the market

The increasing popularity of video on demand in Russia was driven first of all by the increasing penetration of broadband Internet access.

Figure 50. Customer base for broadband in Russia (2012–2018F)

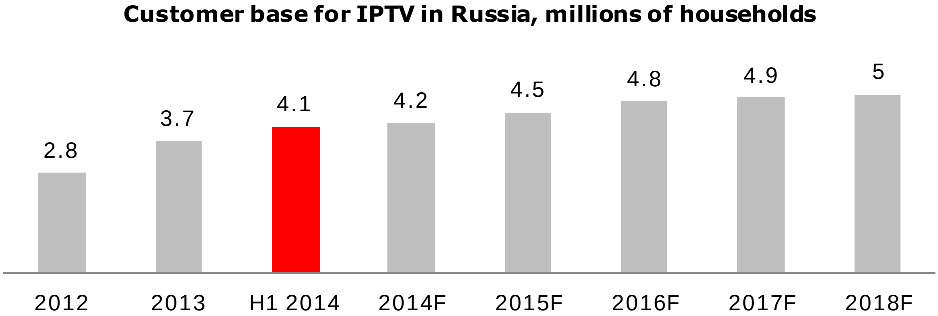


Source: iKS Consulting

While penetration is reaching its natural limit in the major cities, there is still room for growth in many smaller population centres. Consequently, users are expressing more frequent interest in VoD services.

Also steadily rising is the number of users accessing VoD through IPTV technology, which allows digital television and video services to be provided to customers who already have a broadband connection.

Figure 51. Customer base for IPTV in Russia (2012–2018F)

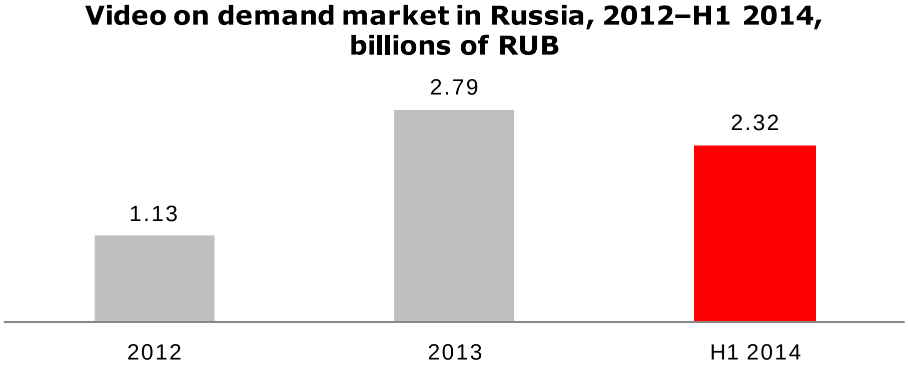


Source: iKS Consulting

The video on demand market is growing rapidly. According to iKS

Consulting, 2013 saw 147% growth compared with 2012, reaching a volume of almost RUB 2.8 billion over the year. In the first half of 2014, that volume was already 2.3 billion, suggesting that the growth rate remains high.

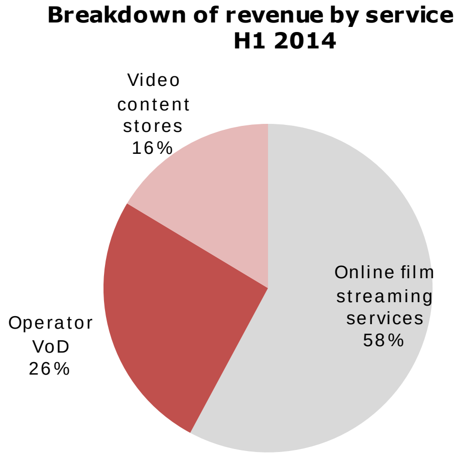
Figure 52. Video on demand market in Russia (2012–H1 2014)



Source: iKS Consulting

In 2013, online film streaming services claimed the largest share of the video on demand market (58%), followed by VoD operators, and content stores (26% and 16% respectively).

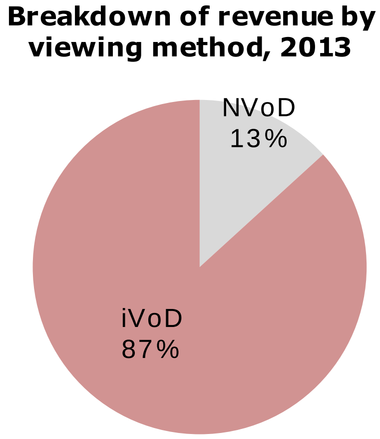
Figure 53. Breakdown of revenue by service type (H1 2014)



Source: iKS Consulting

An overwhelming share of the total revenue comes from iVoD, since both online film streaming services and most IPTV operators use this method of signal delivery. Two satellite operators (Tricolor and NTV+) account for the 13% share held by NVoD, along with those pay TV operators who provide access to 'rotating' video on demand (Akado, for example).

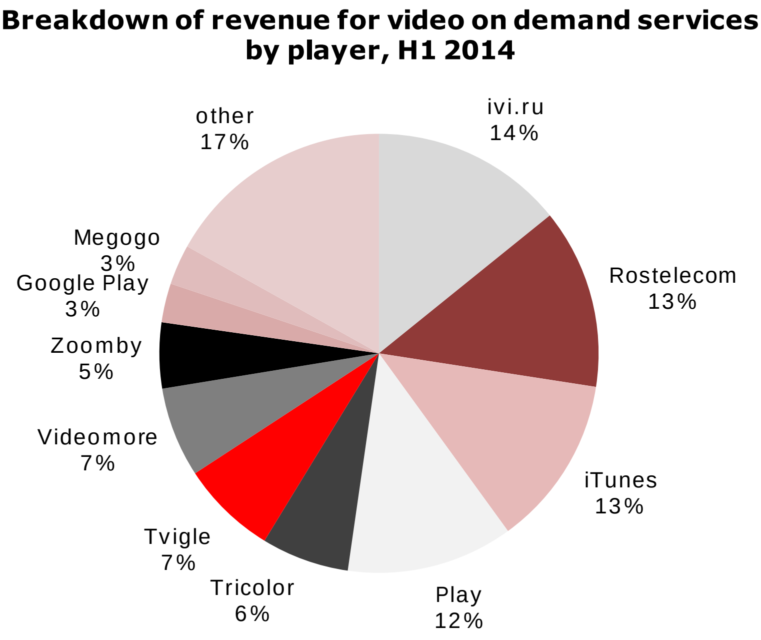
Figure 54. Breakdown of revenue by viewing method (2013)



Source: iKS Consulting

According to iKS Consulting, the core group of the biggest VoD market players in Russia consists of online services. Among companies with a share greater than 5%, there are five online film streaming services, just one IPTV operator (Rostelecom), and one satellite operator (Tricolor). Both of those companies occupy leading positions in their own pay TV segments, leading competitors by a large margin in terms of customer base.

Figure 55. Breakdown of revenue for VoD services by player (H1 2014)



Source: iKS Consulting

The competitive environment in the VoD market is still just beginning to take shape, which gives the major market players room to experiment with their business models and the opportunity to occupy their own niches and thereby differentiate themselves from their competitors. Three online film streaming services (ivi.ru, Tvigle, and Play), one operator

(Rostelecom), and one content store (iTunes) make up the top five players in the Russian video on demand market.

7.3. Key players in Russia's video on demand market

7.3.1. Classification and business models

The market for video on demand is in the early stages of development, so it is still too soon to talk about which business models are most effective. Companies have seen success with both advertising and pay models. Many players today try to use both methods for monetizing their services.

They all devote a great deal of attention to content policy, while, however, choosing different strategies: some seek to gather an expansive library of extremely varied content, some focus on new releases, some offer exclusive content, while others create their own original content.

Another general factor is that operators try to attract audiences across all types of devices, with a presence on as many platforms as possible.

The Russian VoD market is taking shape based around the following groups of players:

Pay digital TV operators

The biggest player in the market is Rostelecom, which accounted for over 55% of the entire operator VoD market in the first half of 2014 on the revenue scale. Next in line are Tricolor, VimpelCom, and NTV+, which occupied 27%, 8%, and 4%, respectively (according to iKS Consulting estimates).

In 2013, the operator VoD market doubled with respect to the previous year, and all the major players experienced growth. This trend has been maintained into 2014. However, despite the fact that operator VoD revenue is growing quickly, it still contributes a very small share of operators' overall income (7% from IPTV earnings on average).

Major players in the broadband and IPTV services market are showing increasing interest in video on demand. Some large providers have long since set up their own online film streaming services:

- Rostelecom has Zabava
- Megafon has Trava
- MTS has Stream[90]

In regions where circumstances have dictated poor penetration by broadband and IPTV – small settlements, rural villages, etc. – satellite operators' services are extremely popular. In the absence of alternative sources of access to video on demand, and aiming to increase income from customers (average revenue per user – ARPU), satellite TV operators also offer VoD access in the form of supplementary packages. So far only two operators offer such services:

[90] Stream functions as an independent project, but was originally developed by mobile provider MTS.

- Tricolor, with the Tricolor TV Cinema service: access is priced at RUB 500/year
- NTV Plus with its Kinodrom service: payment per film, priced at RUB 99

Online film streaming services

Online film streaming services distribute video content regardless of which operator the user is connected to using the Internet television concept. Data transmission is carried out without the mediation of the broadband operator, allowing the online streaming service to operate without investing in the required infrastructure.

Estimates from iKS Consulting allot 97% of the market to nine online film streaming services out of a total of more than 20 in 2013. Nevertheless,

Rostelecom is still trying to grow its business online by purchasing a bigger and more successful online film streaming service. Possible acquisitions include Now.ru, which iKS Consulting estimates occupied 4% of the online film streaming market in 2013.

Video content stores

The principal players in this market are two big international players: the iTunes Store and Google Play, which began selling video content in late 2012.

Both work with content under a combined model: films can either be downloaded or rented. Content comes in two quality options: standard (SD) and high definition (HD). Their libraries consist of live-action films and feature-length animated films. There are no shorter videos – series, music videos, short cartoons – in the libraries, due to the complexity of monetizing short videos using the EST and TVoD models; for instance, users are not prepared to pay for a 10-minute cartoon.

Table 37. Business models of the major Russian video on demand services

Service	Advertising model	Pay model		
	AVoD	TVoD	SVoD	EST
IVI.RU	Yes	Access to films online – RUB 99–299	Access to subscription RUB 299/mo.	RUB 39–399
PLAY (Okko)	No	Access to films online – RUB 39–399	Access to limited package of films: 1. for mobile devices – RUB 499/mo. 2. for smart TVs (not supported by all models) – RUB 499	RUB 39–399
TVIGLE	Yes	No	No	No
VIDEOMORE	Yes	No	Access to all content from partner ViaPlay RUB 395/mo., first month RUB 50	No
ZOOMBY	Yes	No	Access to serial content from partner Amediateka, RUB 299/mo.	No
AKADO	No	RUB 30–60	No	No
BEELINE	No	RUB 10–100	No	No
NTV+	No	RUB 99	No	No
ROSTELECOM	No	RUB 30–300	Subscription to thematic packages, RUB 150/mo.	No
TRICOLOR	No	No	RUB 500/year	No
iTunes	No	RUB 99–349	No	RUB 49–99
GOOGLE PLAY	No	RUB 49–349	No	RUB 49–109

Source: Company data

The biggest Russian online streaming services use various business models, offering their users not just one type of access to content, but a mixed model, in which various types of content are accessible free, by subscription, and by pay-per-view (PPV). Operator VoD is not characterized by this sort of variety, with only one IPTV operator (Rostelecom) and one satellite provider (Tricolor) offering subscriptions to their users. The other players provide access to films only via models requiring payment for each film (PPV), either by iVoD or NVoD.

7.3.2. Principal players on the VoD market

ivi.ru

Online streaming service ivi.ru was founded in early 2010. Its main investor is ru-NET. Over the past two years, ivi.ru has been energetically attracting investment from various funds (Baring Vostok, Frontier Ventures, ProfMedia, Tiger Global).

Judging by 2013 results, with an income of RUB 471 million, ivi.ru is the leader in the Russian marketplace for online film streaming services, and this trend is being maintained into 2014 (RUB 330 million in the first half of 2014).

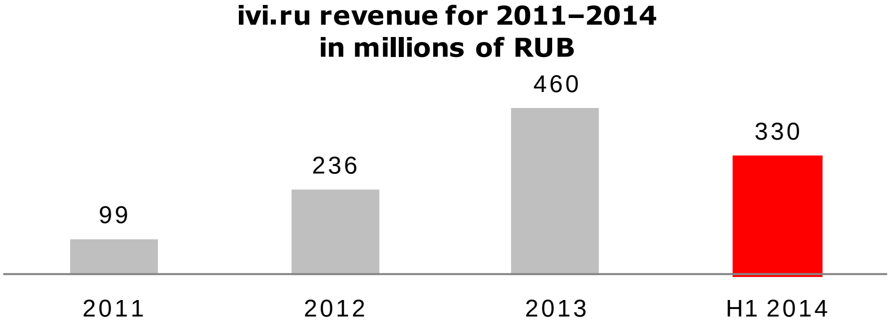
Its main business model for providing services is through advertising, which accounts for 90% of the service's turnover. At the end of 2012, the pay model ivi+ was introduced, and in the second half of 2013 a pay model was launched for smart TV and mobile platforms. From early 2014, ivi.ru users were able to access videos via the EST model.

The ivi.ru service has the most extensive film library, including over 70,000 titles. A children's channel, deti.ivi, is under development (9,000 titles), as well as a music channel (30,000 music videos).

The project's success is being helped along by a highly developed partnership programme (for example, collaboration with providers like ER-Telecom).

The company has signed direct contracts with all the major Hollywood studios and with a large number of other foreign and Russian rights holders.

Figure 56. ivi.ru revenue for 2011–H1 2014



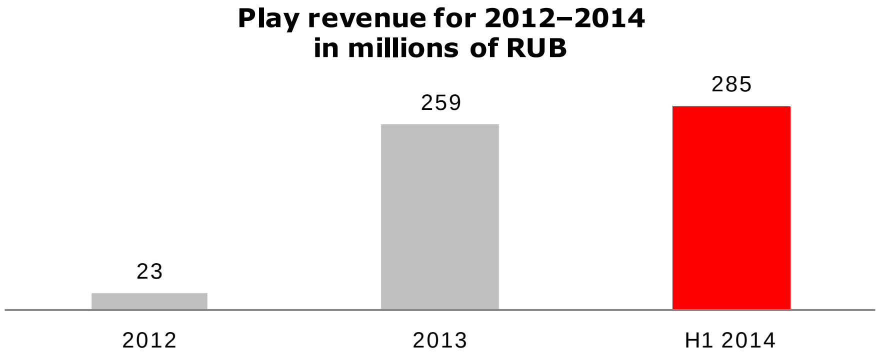
Source: iKS Consulting

Play (from September 2014 – Okko)

The online streaming service Play, which operated as Yota Play until 2012, first entered the market in 2011. Early on, the company was part of the Yota group, but it was left out of a merger deal between Yota and the mobile phone operator Megafon. The company has its own legal entity (More, 100% of the capital of which belongs to Blueshade Co. Ltd., registered in Cyprus).

In 2013, Play's income increased by a factor of 11, totalling RUB 259 million. According to company data, in the last two years revenue increased by 10–15% every month, and the ARPU is USD 20–30. In January 2014, the company was the first Russian online streaming service to become a profitable business.

Figure 57. Play revenue for 2012–H1 2014



Source: iKS Consulting

Currently, Play/Okko is the leader in the Russian market for video services operating on a pay model and competes not so much with Russian online film streaming services that use a similar model (AYYO, Amediateka, ivi+, Stream, etc.), as with the major content stores, iTunes and Google Play, as well as with Rostelecom's operator VoD service.

Play offers users a range of products: sales (EST), rentals (TVoD), and subscriptions (SVoD). The highest demand is for EST. The price per view ranges from RUB 39–399 depending on the type of rights involved, resolution (SD/HD/3D), how recent the film is, and other factors.

The service focuses primarily on users of smart televisions, smartphones and tablets, Blu-ray players, and, to a lesser extent, PC users. In a bid to determine the potential demand on the Web, Play set up its PlayLite service, offering access to 3,500 feature-length films from the Play catalogue on partner sites Kinopoisk.ru, Afisha@Mail.ru, and others.

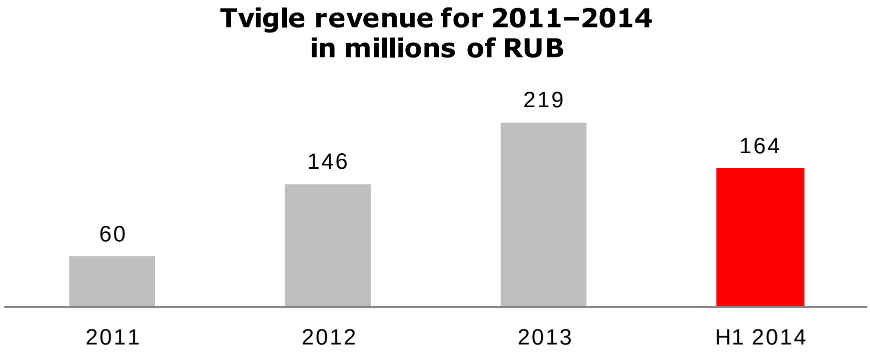
Play is positioning itself as a premium-class service offering maximum convenience and quality. For instance, Play was one of the first companies in Russia to introduce multiscreen capability (users can register up to five devices), HD and 3D formats, etc. Play also offers around-the-clock user support through its own call centre.

Tvigle

Launched in 2007, this company was one of the first Russian online film streaming services. Tvigle was created by a group of private investors in collaboration with the Allianz ROSNO insurance company's venture fund. In 2011, Tvigle stockholders brought in investment from Media3.

In 2013, the company's income multiplied by a factor of 1.5, totalling around RUB 219 million. The company is expected to grow by at least the same amount in 2014.

Figure 58. Tvigle revenue for 2011–H1 2014



Source: iKS Consulting

The company operates only on the advertising model. There were previous attempts to introduce subscriptions, but those were discontinued due to low demand, though there are plans to introduce the model again in the second half of 2014.

The Tvigle library contains around 26 million titles, more than half of which are 'short' content (under 15 minutes in length). Most of these are series and cartoons, so the company is positioning itself not as an online film streaming service, but more as Internet television.

The most popular content is foreign series. In particular, the company is the only one to show a range of series from the BBC, Fox, and Disney, including *The Walking Dead*, *Hannibal*, *Luther*, and *Misfits*. Most of them come out under a catch-up schedule a few hours after they are shown in the US or UK, dubbed into Russian. There is a noticeable spike in the number of visitors on days when new episodes are scheduled.

Tvigle stands out for its well-developed partnership network, which includes over 8,000 partner sites hosting the Tvigle player and accounting for almost 50% of video views.

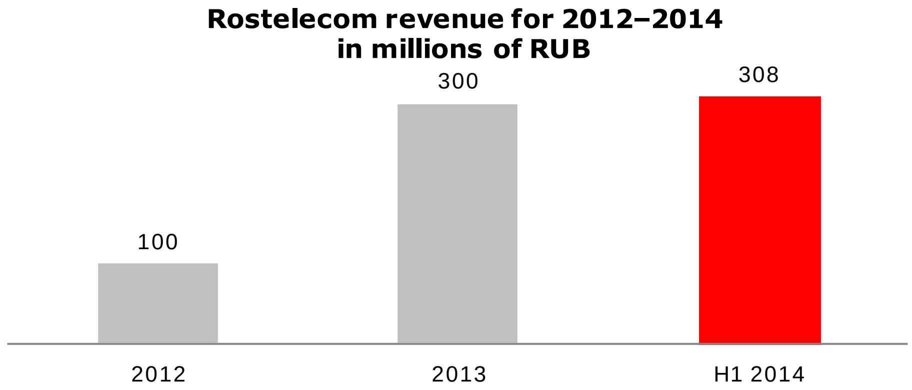
The company has an active working relationship with smart television manufacturers such as LG, Samsung, Sony, and Panasonic. Tvigle apps are also available through the set-top boxes of certain digital television providers, for example those of ER-Telecom. Tvigle Media says that around one million active devices have the Tvigle app for smart TV (counting app downloads with different IDs) and that 30 million videos are played each month. Tvigle is the only online film streaming service that works with the Xbox 360 (Microsoft), and PlayStation3 and PlayStation4 (Sony) games consoles.

Rostelecom

Rostelecom leads the Russian broadband and IPTV market. The total customer base for Rostelecom's Interactive Television was 2.53 million households, according to data for the first half of 2014.

The operator uses two models to provide content: subscriptions and one-time purchasing. Estimates from iKS Consulting place income from the Kinoprokat service using SVoD and PPV models at RUB 300 million in 2013 – more than triple the 2012 figure. In 2014, Rostelecom has been showing remarkable rates of growth – in the first quarter alone, revenue from video on demand exceeded the previous year's figures.

Figure 59. Rostelecom revenue for 2012–H1 2014



Source: iKS Consulting

Most of its income – 78% – comes from TVoD. Rostelecom owns one of the biggest catalogues held by any operator, encompassing over 2,500 titles. Rostelecom's catalogue also includes HD (over 50 titles) and even 3D content. Aside from films and series, the company also offers software, music, and antivirus programs. The catalogue offers both new releases (some before they come out on DVD) and older films. The cost varies from RUB 30–300 depending on how new and popular the film is.

Several channels are available by subscription:

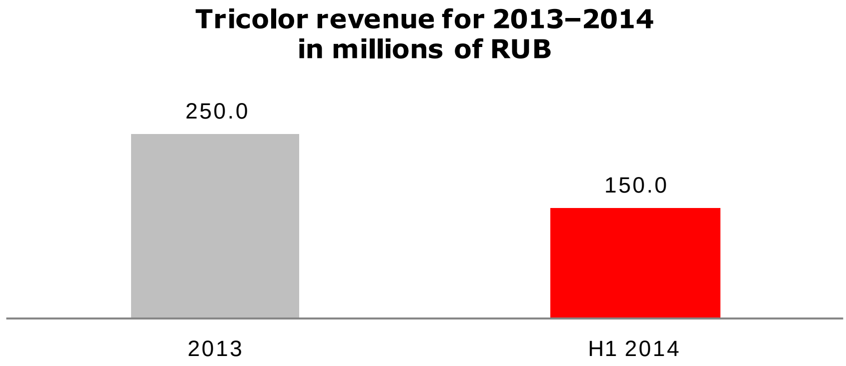
- NBC film package: RUB 150/month
- Disney film package: RUB 250/month
- Amedia Premium television channel series package: RUB 200/month
- content from the online film streaming service Viaplay: free with a subscription to the Viasat Premium channel package
- a children's channel: RUB 150/month

In 2013, Rostelecom's VoD audience tripled in size to around 6.5 million users. Most of that growth came from an energetic marketing policy and from increasing the IPTV base (including as a result of consolidation with other providers).

Tricolor

National Satellite Company (home of the Tricolor brand) is the biggest operator of pay satellite television in Russia, with a customer base of 10.56 million as of mid-2014.

Figure 60. Tricolor revenue for 2013–H1 2014



Source: iKS Consulting

Estimates by iKS Consulting place income from the Tricolor TV Cinema service at RUB 250 million for 2013.

The company began offering its customers the 'rotating' video service Tricolor TV Cinema at the end of 2011. Screenings begin every hour, and every day two new films are added to the schedule, with the entire line-up replaced within six days.

The service has grown thanks to the following factors:

- a large customer base
- the low cost of a package: RUB 500/year
- the large percentage of customers with no access to broadband (remote villages, private sectors within cities, rural settlements) to watch online video

Currently, around 500,000 customers use the service, and Tricolor plans to add another million by 2018. Its line-up consists of older Russian and foreign films; it shows no premieres.

iTunes Store

The Russian iTunes Store is operated by Apple's Luxembourg-based iTunes Sàrl company. The store is a localized service for Russian users of Apple products, and its film catalogue contains over 2,700 titles.

When a film is rented, it becomes accessible for viewing for 48 hours after it is first launched. It is also possible to pre-order a film that is currently unavailable for viewing.

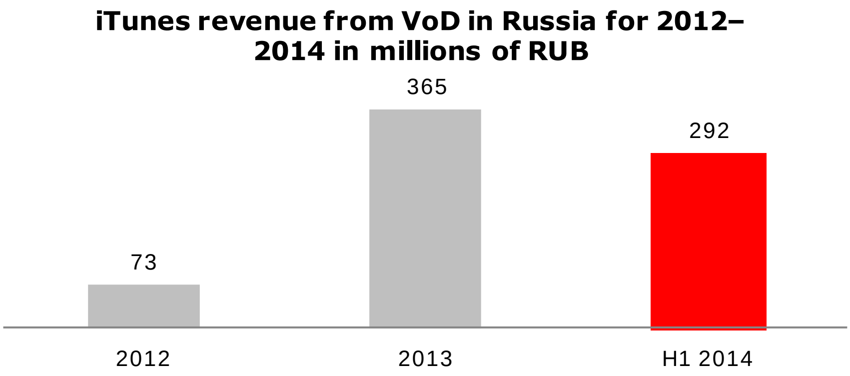
Apple holds the rights only to the section of the store devoted to software for the iPhone, iPad, and iPod Touch. The rest of the content (music, video, etc.) is the property of the record companies and major film companies. Only content owners can decide in which countries' stores to make their products available. This explains the sometimes uneven distribution of video content in different countries, as well as, at times, its complete absence.

For example, Mosfilm, a leading company in the Russian film industry, has placed cult films such as *Love and Pigeons*, *Moscow Does Not Believe in Tears*, and *Ivan Vasilievich: Back to the Future* on iTunes. Furthermore, the Mosfilm app is available in both Russian and English, and certain films have English subtitles for foreign consumers.

The principal rights holders are Russian and foreign film companies (20th Century Fox, Central Partnership, Disney, Lenfilm, and Mosfilm). For the reasons listed above, adding your own content is fairly difficult, and sometimes outright impossible. That is why content aggregators are frequently brought in for this purpose. But all the content aggregators on the list of companies recommended by Apple are located in Europe, which poses certain difficulties for the Russian video on demand market. First of all, this is because, officially, revenue from those postings pertains to the European market, not the Russian one. And, secondly, Russian legislation on storing personal data abroad is currently undergoing a series of critical changes, and it is difficult to predict which sectors will suffer most as a result of these initiatives.

According to iKS Consulting estimates, revenue from the iTunes service totalled RUB 365 million in 2013 (less than 13 months after it was launched). By the end of the first half of 2014, it had already reached RUB 255.5 million.

Figure 61. iTunes revenue from VoD in Russia for 2012–H1 2014



Source: iKS Consulting

In 2014, the iTunes Store plans to begin offering support for Android device users, offering them the option to purchase films. The service can also be used by owners of Windows and MacOS personal computers, or by using Apple TV on an ordinary television.

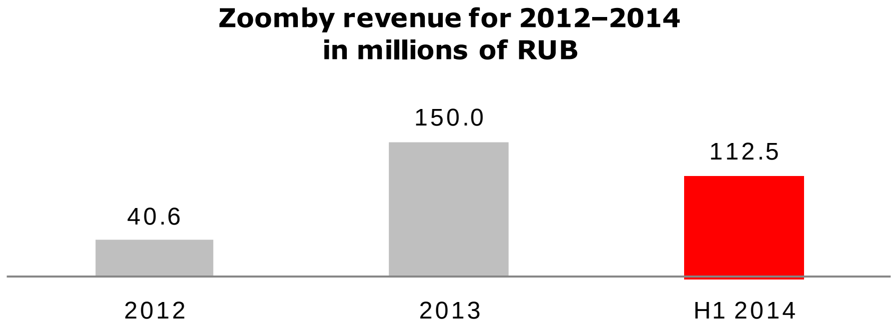
Partnership programmes also exist for posting links to content in the iTunes Store. Programme participants receive a commission for clicks on links to music, apps, and other content in the iTunes Store.

Zoomby

Zoomby was launched in 2010 by the WebMediaGroup holding company. Currently, the Leader-Innovations venture fund and Gazprombank are also shareholders in the project.

In 2013, the online film streaming service experienced considerable growth, with revenue from the video portal more than tripling.

Figure 62. Zoomby revenue for 2012–H1 2014



Source: SPARK-Interfax, estimate by iKS Consulting

Zoomby uses the advertising model and specializes in showing mostly content from Russian television channels. The company's plans include developing a pay model, which is now being tested for mobile platforms.

Zoomby's competitive advantage is its use of catch-up, allowing it to show television broadcasts and series almost immediately after they are broadcast on air. In 2013, views of catch-up video content grew by a factor of more than 10 in comparison with 2012.

The Zoomby catalogue contains over 81,600 video content titles. Russian series and television shows make up the bulk of the library (content from the channels Rossiya-1, Channel One, NTV, TV Centre, Sport, CTC, My Planet, and others); these account for the largest share of views, and the records for the numbers of views for a single title. For instance, in 2013, the series *Ash [Pepel]* drew 385,000 views in 24 hours.

Zoomby collaborates with all the major smart television manufacturers on the Russian market: Samsung, LG, Philips, Panasonic, Sony, Sharp, Bang & Olufsen, and others.

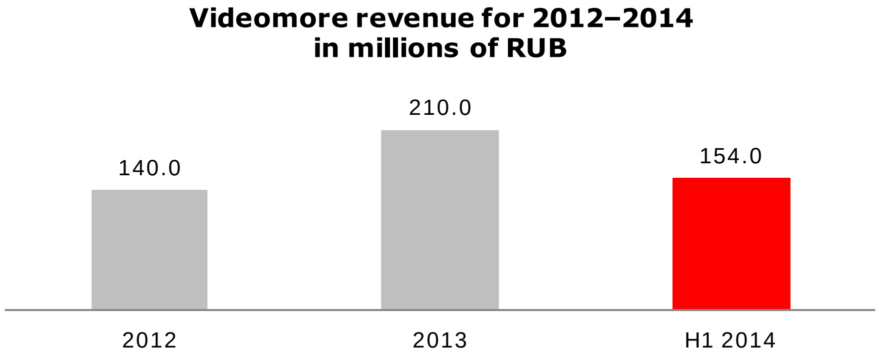
In 2013, Zoomby apps were installed on mobile devices 759,000 times.

Videomore.ru

The online film streaming service Videomore.ru, along with some popular entertainment television channels and other assets, is part of CTC Media, one of the biggest Russian media companies. Its library consists mainly of CTC Media content.

CTC Media's income from advertising on the Videomore.ru portal in 2013 was over RUB 200 million, according to iKS Consulting estimates, with growth of 150% compared with 2012.

Figure 63. Videomore revenue for 2012–H1 2014



Source: company data, estimates by iKS Consulting

Despite sound growth indicators, the company has decided to focus on direct development of the CTC and TNT channel websites.

Videomore.ru's business model is mostly advertising based, although the videomore.ru site also offers pay content through its partner portal Viaplay (a subsidiary of the Viasat group).

The company uses the broadest possible range of new advertising technologies, including not just commercials shown before the start and in the middle of the video being watched by the user, but also exclusive sponsorships (an advertiser is offered sole sponsorship of content relevant to the brand's target audience), special projects (specially created pages on the website), contests, and branding of thematic playlists.

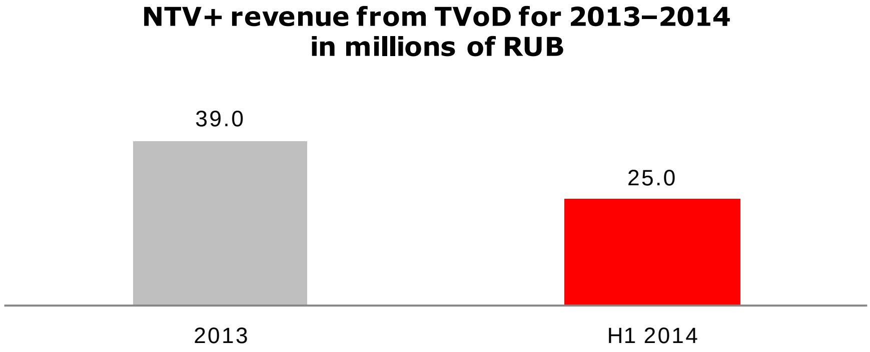
NTV+

NTV+ is the first satellite television company to have become, over 17 years ago, a leader in the Russian pay television market.

The company broadcasts throughout most of Russia and Ukraine. It currently has over 2 million viewers.

With RUB 39 million in income in 2013, NTV+ grew by a factor of 1.7 compared with 2012.

Figure 64. NTV+ revenue from TVoD for 2013–H1 2014



Source: estimates by iKS Consulting

NTV+ uses the TVoD model to deliver content. The operator uses a standardized payment system for content: each film costs RUB 99. But there are various loyalty programmes and bonuses for repeat customers (for example, every tenth film is free).

One distinguishing feature of the company is that it develops its own content. Today, NTV+ produces 13 sports channels, 10 film channels, and a 3D format channel.

Google Play films

Russian Android users have been able to purchase and rent films since December 2012. The store is a localized service offered by Google Inc. in Russia.

In 2013, less than 13 months after it was launched, iKS Consulting estimates that the service brought in RUB 95 million.

Users can watch in standard quality or in HD. A rented film is accessible for one month, but only for 48 hours after the file is first launched.

Titles available to Russian audiences number 1,900. The catalogue contains only legal videos from major Hollywood studios, as well as from foreign and Russian rights holders and distributors. In this sense, Google naturally comes in second to online film streaming services and operator video on demand, and to its main competitor, the iTunes Store, which has greater room for growth in terms of increasing the number of titles in its store.

The main rights holders represented in Google Play are:

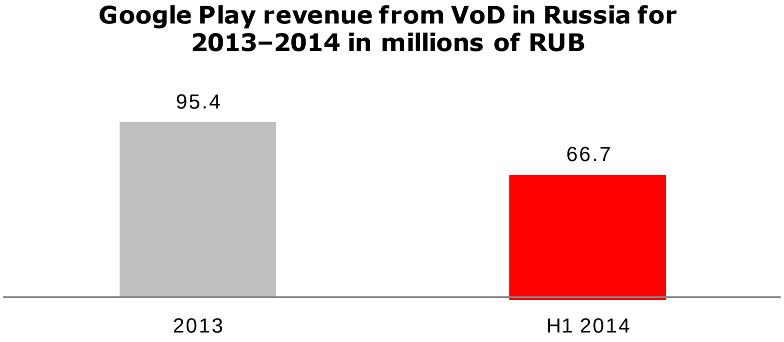
- 20th Century Fox
- Central Partnership
- Disney
- Paramount
- Sony
- Universal
- Warner Bros.
- X-Media Digital
- Lenfilm
- Mosfilm

Thematic selections available include new releases, comedies, animated films, Soviet film, recommended titles, etc.

Google Play does have a large number of practical advantages over its main competitor, the iTunes Store, which gives the content store greater potential. For example, compared with Apple, it is much simpler and faster to make content available (in the iTunes Store, the process for approving content is much more complex and takes much longer, and even after satisfying all conditions, the request may be denied with no reason given).

At the end of 2013, the Google Play films app also became accessible to iTunes users, beating Google's main competitor to the punch (iTunes plans to launch a similar option in 2014) and opening up a promising method for monetizing its services through iTunes users.

Figure 65. Google Play revenue from VoD in Russia for 2013–H1 2014



Source: estimates by iKS Consulting

7.4. Analysis of the pace of development in the sector, key trends, predictions, and prospects

7.4.1. Principal development trends and factors impacting the VoD market

The video on demand market is developing extremely rapidly, helped along by an array of factors. Principal among these are:

- **Growth** in smart TV penetration

  Smart televisions are best equipped for viewing high-quality video. In 2013, according to iKS Consulting, smart TVs connected to the Internet numbered around 4.2 million.

  The principal players in the VoD market are actively promoting their services for Samsung, LG, and other brands. The proportion of streamed video watched via smart TV is growing quickly: ivi.ru says that in 2012, smart TVs accounted for 23% of its total video views, while in 2013 it was 38%.
- A stronger legislative foundation

  The Anti-Piracy Law has had a positive impact on the war against illegal distribution of videos online, though it does have several loopholes through which illegal content can still be distributed. Several legal players have already put forth suggestions for amendments.
- Increasing availability of HD and 3D content in libraries

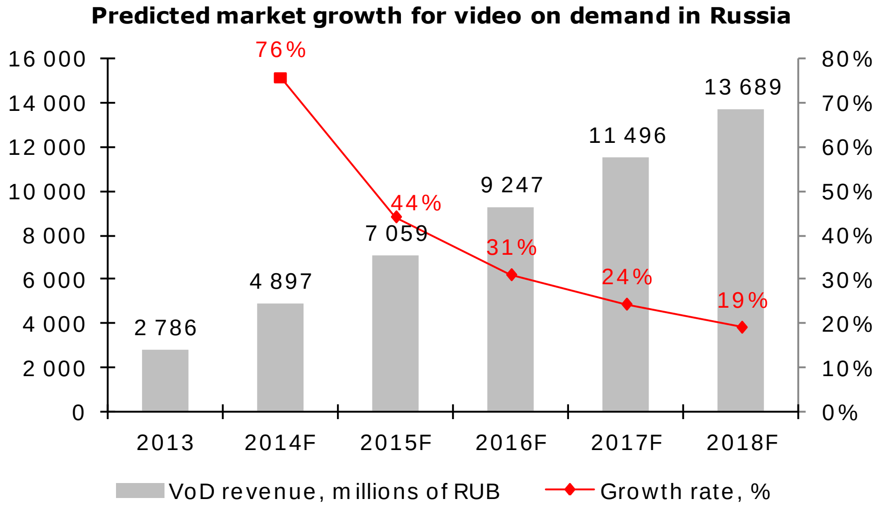
  There is now an expectation that HD and 3D content will be available, and therefore market players need to expand their libraries to meet demand.
- The creation of a loyal audience and a culture of use of VoD services

  Currently, the pay model is still new to the Russian market, and there is still a fairly large contingent of players who are just starting to develop their own business models. Over time, they will secure their place in the market, which will lead to a greater willingness on behalf of users to subscribe.

7.4.2. Predictions for the development of the VoD market in Russia

Estimates from iKS Consulting state that revenue from video on demand services in Russia will total almost RUB 13.7 billion by 2018, multiplying by a factor of 4.9 compared with 2013. The compound annual growth rate (CAGR) will be 39%.

Figure 66. Predicted market growth for video on demand in Russia (2013–2018F)



Source: iKS Consulting

The main prospects, possibilities, and risks for the development of the video on demand market in Russia are:

- An increase in Internet penetration

  Without a doubt, the principal basis for the development of online video services has been the spread of the Internet, now used by billions of people, and the growth in the speed of Internet access, allowing the downloading of large video files and the viewing of streaming video online.

  According to iKS Consulting estimates, fixed broadband Internet service penetration in Russian households reached 51% in H1 2014. The number of service subscribers was over 28.4 million (and in 2018, this is expected to grow to 31.8 million users).

  Here, the main growth area and the main limitation for players on the video on demand market will be, simply, the penetration of Internet services, which, in Russia, is currently still below the average for developed countries (78%, according to ITU data).

- Increase in Internet access speed

  Aside from greater penetration, an increase in data transmission speeds will doubtless be a driving factor for the online video market.

  The most popular rate plans have a speed upwards of 2 Mbps. A majority of fixed broadband users connect at that speed today, which allows the viewing of online videos in standard format (SD). One third of users have access to speeds above 10 Mbps and can therefore watch 'heavy content' in HD and 3D formats. This means that demand is taking shape for higher speed rate plans for viewing heavy content.

- Development of the mobile Internet (increasing penetration and speeds)

Mobile access to the Internet is also increasing rapidly. In 2013, the population of Russian mobile Internet users grew by 10%, reaching 97.5 million. According to iKS Consulting, smartphone penetration at the end of 2013 was around 31%, and the number of tablet users grew to 3 million. This trend is generating demand for high-speed mobile Internet, which will allow any content to be viewed on consumer devices.

Today, 3G network coverage in Russia is available to 80% of the population. The average 3G speed is 2–3 Mbps, sufficient for viewing SD video. Next-generation LTE networks are being built quickly so that by 2019, this technology will be accessible to residents of all population centres with over 10,000 inhabitants. The average Internet access speed using this technology, 20 Mbps, allows the viewing of HD content.

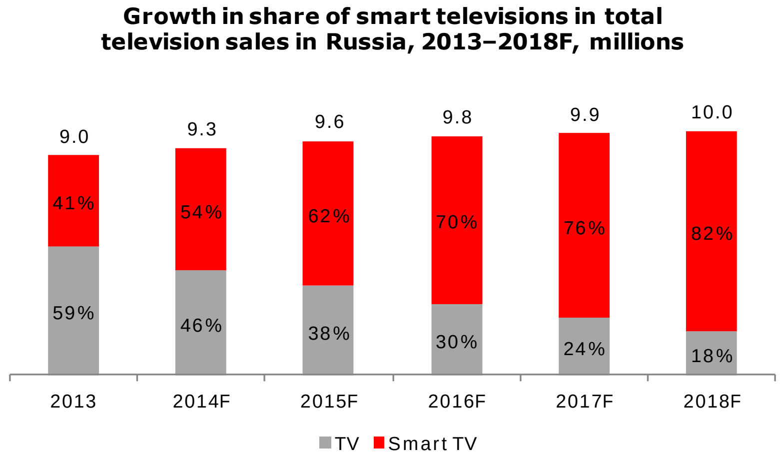
- Changes in video viewing format

The growing speed of Internet access is leading not just to larger audiences for online videos, but also to growth in the volume of video viewed, since faster access allows for online viewing and the viewing of HD content. Cisco reports that today, video makes up 53% of mobile traffic alone, and by 2018 that will increase to 69%, with the volume of mobile video traffic multiplying by a factor of 14. This will allow VoD services to be made available practically anywhere there is access to the mobile Internet and will completely change video watching habits (customers will no longer be tied to home Internet or the TV, instead using those services wherever it is most convenient), which will in turn give shape to a new culture of video content consumption, which is provisionally being called 'video everywhere'.

- Increasing penetration of smart TVs

Despite the fact that the first smart television models appeared on the Russian market only recently (in 2010), by the end of 2013 about 6.8 million of them had been sold. However, not all were connected to the Internet. Research by iKS Consulting demonstrates that in the big cities, 87% of those televisions were connected by the end of the year, while the average nationwide (according to VIAC) was only 55%. That means that smart television penetration was 12%, or 8% counting only the connected sets. However, that number will grow very rapidly in the coming years, given that by the end of 2013, almost half of all new television sales in Russia were models with smart TV functions.

Figure 67. Growth in share of smart television in total television sales in Russia (2013–2018F)



Source: iKS Consulting

- A strategic focus on developing cross-platform content

While the television screen remains the dominant platform for viewing video among the three major options (television, computer, and mobile device), the number of people using alternative platforms is growing every year. According to iKS Consulting data, on average, a resident of a major Russian city uses 2.4 devices, all of which are capable of showing television and video content: televisions, computers (desktop, tablet, or laptop), and smartphones. People use an average of two devices, even if only rarely, to watch videos. The study found no one who did not watch any video content at all.

This means that in the future, all the major players in the market will be emphasizing multiscreen services and offering access to their content through all consumer devices. Therefore, it is logical to assume that online film streaming services and operators will be trying to move into the smart TV niche, while the content stores have great potential for market development on mobile devices and tablets. Here the advantage lies with iTunes and Google Play, which have already made using content on any device extremely simple.

- Increasing content and expanding video libraries

Despite the fact that operators differ in their content policies for video on demand, content is already becoming an obvious competitive advantage, and this trend will continue in the future.

Many players include high-definition content in their catalogues. Today ivi, Zoomby, and TVzavr all have HD content (around 1,000 titles), as do Tvigle (500), Play, Rostelecom, and others. But the demand for that content is still limited due to often insufficient Internet access speeds.

Nevertheless, most players have plans to increase their numbers of HD films, and some of them have started including 3D films in their catalogues. Here, operator VoD players will most likely have an advantage, due to the fact that access speeds for home Internet are higher than those for mobile access or for HotSpot. This means those players will be able to more reliably provide consumers with high-quality content and the technical means to watch it.

At the same time, the market will be developing towards an increase in the number of new releases and towards a smaller gap between a film's big-screen premiere and its release online. By making intelligent moves in this area, players will increase their competitive edge and gain an advantage not just in the video on demand market, but also over pirated content online.

- Protecting the interests of legal players

The principal obstacle to developing the Russian market for video on demand is the existence of a large number of pirate Internet resources that people can use to obtain access to illegal videos. These are torrent trackers (rutracker.org and others), video hosting sites (social network VKontakte, YouTube, and others), and file hosting sites (rapidshare.com, letitbit.net, and others).

It should be noted that VKontakte is taking certain steps to legalize content. For example, late in 2013, the company signed an agreement with the government media company Russia Television and Radio (VGTRK) to show videos. Another developing trend is the legalization of videos through agreements with online film streaming services, which already have agreements in place with rights holders. In both cases, the advertising business model is in place. It is fair to say that the groundwork has been laid to legalize content, but a great deal of work remains to be done and agreements must be reached with many rights holders.

There is now an organization called Internet-Video, which brings together the leading online film streaming services. That organization is consolidating its position on key issues concerning the turnover of audiovisual works online and in the future it will continue to protect the interests of legal players in the market. But Internet-Video does not represent operators and content stores, which constitute a significant share of the video on demand market. That is a large growth area for the market as a whole and for unifying the efforts of all players within it.

- Intensifying competition in the video on demand market

Because the video on demand market is still in its early stages, competitive battles are sure to intensify in the future. The top five companies will be the driving force in the market, but their business models will change slightly. Most likely, the players who are not emphasizing the pay model will start to direct their attention there (particularly ivi.ru), once changes to the law make that model more realistic. Also working in favour of the pay model is the fact that it allows for more efficient cooperation with rights holders and for new material to be released practically simultaneously with its distribution in cinemas. Companies such as iTunes and Play have already demonstrated the potential of pay models.

A further trend in the market will be consolidation. Already, for example, Rostelecom is expressing interest in small online film streaming services, and several other pay TV operators are also planning to enter that market.

A third trend in the competitive environment is an increasing role for video content stores. The audience for those players is already used to buying content. Thanks to that habit, iTunes and Google are already seeing a great deal of success with their business models, but while their share of total market volume is currently 16%, in coming years that will increase to 18%.

Another prospect for development is the need for cross-platform solutions, in which there is already an interest. In the near future, major players will settle on a principal platform for their video services and will start developing multiscreen services. Content stores will doubtless lead the way in the smartphone and tablet sector, while players such as ivi.ru, Rostelecom, and Okko will dominate in the smart TV sector.

CHAPTER 8. TELEVISED FILM DISTRIBUTION

8.1. Terrestrial television

Terrestrial television has historically played the most noticeable role in the Russian television market because it is free to users. This means that state (government-financed) and commercial television channels make up the bulk of the terrestrial broadcasting system. Both earn most of their income from selling advertising airtime. Federal terrestrial channels have the largest distribution network, although most of them can now only nominally be called 'terrestrial', since the technical means used to deliver a television signal are most often combined today, with the same groups of national Russian channels delivered to users in various cities, or even in various districts of the same cities (through the federal or local broadcast network, by satellite, or in a cable or IPTV operator package).

The list of federal television channels has been regularly reviewed by Roskomnadzor, the Federal Telecommunications, Information Technology, and Mass Communications watchdog, at the request of the Federal Antimonopoly Service, which works to ensure, among other things, that advertising law is being followed.[91] The list was last updated in May 2014. It contained 22 television channels that broadcast on the territories of at least five regions of the Russian Federation: Channel One, Rossiya 1, Rossiya 2, Rossiya 24, Rossiya K, Channel Five, NTV, TV Centre, CTC, Domashniy, Peretz, U Channel, Disney, TV 3, Pyatnitsa, TNT, REN TV, Mir, Zvezda, 2×2, RBC TV, and Karusel.[92]

For the purposes of this report, we have focused on channels that broadcast cinematic content (news channels, for example, are not included). We selected the 18 national and federal channels with the widest coverage which show this type of programming, and observed trends in audience share (using TNS Russia data) for 2007, 2010, and 2013.

Most noticeable in the comparison of these three periods is the rapid fall in the total share held by the 'big three'. The most serious losses were experienced by Channel One, whose share over six years shrank from 21% to less than 14%, and by Rossiya 1, whose share fell from 17% to less than 13%. At the same time, NTV managed to increase its ratings in 2010, and currently its audience share puts it on the same level as Rossiya 1.

As they moved away from the main federal channels, audiences moved both to terrestrial competitors, many of which have undergone changes in concept lately and expanded their broadcast territory (Channel

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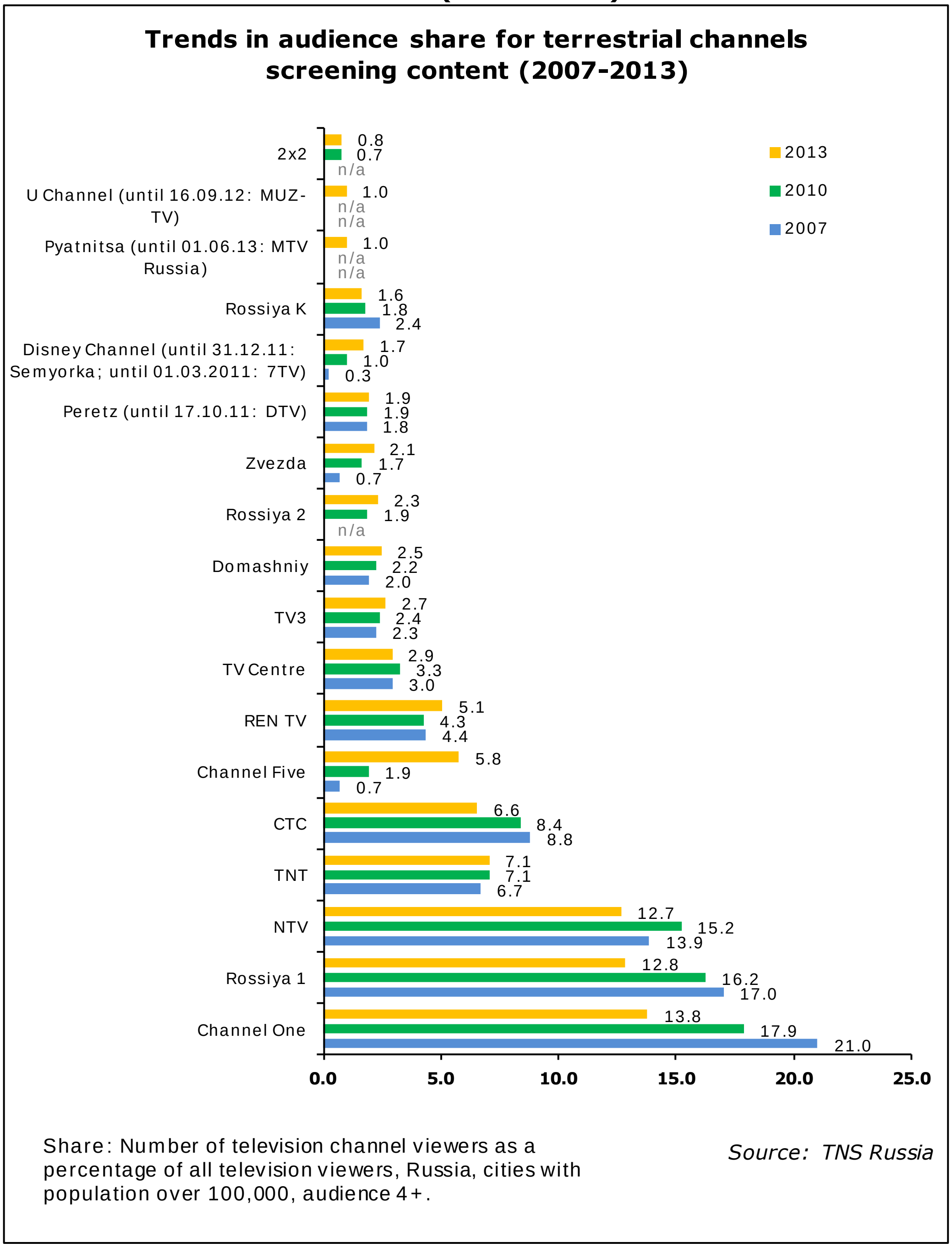
[91] Inspections by the Federal Antimonopoly Service were conducted in order to monitor the implementation of Law No. 354-FZ, dated 27.12.2009, which restricted a single seller to a maximum of 35% of the TV advertising market (the Gazprom Media holding company had lobbied for this law, aimed against the then leader, Video International, which controlled about 75% of TV advertising). It was revoked by Law No. 264-FZ, dated 21.07.2014.

[92] See, for example, A. Afanasyeva and P. Belavin. 'Television advertising market gets out of control.' *Kommersant*. 16 June 2014.

Five, U Channel, Pyatnitsa, and Disney), and to non-terrestrial speciality channels.

Figure 68. Trends in audience share for terrestrial channels screening cinematic content (2007–2013)



The sale of rights to broadcast films on television was long an important source of income for Russian producers and distributors, both majors and independent companies. However, in the years following the financial crisis, the leading channels began to sharply reduce the volume of content they broadcast (and, subsequently, their purchases of content). For instance, TNS Russia data shows that on Channel One, the volume of content broadcast (for all types of content) dropped by 15% from 2010 to 2013. Rossiya 1 saw a 10% drop and NTV experienced almost a 7% drop. Similar reductions in the amount of content broadcast have been seen on several other, less popular television channels: TV 3 reduced its volume of content by 10% over three years, 2x2 by 11%, Rossiya K by 6%, and CTC by 4%.

At the same time, TNT's success in maintaining its position among TV audiences (its share remains almost unchanged) is probably due largely to an increase in the content broadcast, with growth of almost 12% from 2010 to 2013. Channel Five increased the amount of content broadcast by 4% thanks to feature series (mostly Russian productions), and the volume of content on REN TV grew by 7%, in this case thanks to documentary series (also mostly Russian); both of those segments, along with cartoons, contributed to the increase in content shown on Domashniy by 17%, and on Zvezda by 4%, although the broadcast of cartoons here decreased.

But the most drastic changes in this period took place on the channels that underwent a change in concept. For instance, Rossiya 2, which had been a specialized sports channel until 2010, and which had maintained its dominance in sport, has been reducing the number of sports programmes it makes itself since summer 2013 and turned towards a more general entertainment format, increasing the volume of content broadcast by a factor of 2.2. The Disney Channel, which replaced Semyorka in January 2012, increased its content by 150%, mostly thanks to television series and Disney cartoons. Pyatnitsa, which replaced the Russian version of MTV in summer 2013, increased content by 79% thanks to the large number of popular foreign (mostly American) films and series on its network. And U Channel, which replaced Muz TV in September 2012, has begun showing 5.2 times more content – mostly foreign (including Latin American and Indian) romances and TV series, previously scarcely featured in the music channel's programming.

Table 38. Trends in volume of content on Russian terrestrial television channels by type of content (2010–2013)

		Films	TV series	Plays	Cartoons	Documentaries	Cartoon series	Documentary series	Total	Changes from 2010 to 2013
Channel One	2010	1,826.8	1,283.8	1.1	56.2	341.0	72.0	82.1	**3,662.9**	**-15.2%**
	2013	1,673.7	977.6	0.0	28.9	292.2	59.6	73.0	**3,105.1**	
Rossiya 1	2010	2,142.8	2,232.6	0.0	29.7	348.3	2.5	88.5	**4,844.5**	**-10.5%**
	2013	1,819.4	2,270.2	0.0	0.4	178.8	1.4	68.0	**4,338.1**	
NTV	2010	1,546.3	2,952.5	0.0	35.9	95.0	54.9	59.2	**4,743.7**	**-6.7%**
	2013	375.8	3,803.7	0.0	7.3	48.1	0.0	192.6	**4,427.4**	
TNT	2010	1,877.7	2,230.2	0.0	19.8	73.1	876.1	0.0	**5,077.0**	**11.6%**
	2013	1,983.1	3,023.0	0.0	45.0	51.2	545.3	18.8	**5,666.3**	
CTC	2010	2,271.2	2,773.0	0.0	240.5	19.3	833.7	0.0	**6,137.7**	**-3.9%**
	2013	2,456.3	2,233.0	0.0	639.0	24.6	537.4	8.0	**5,898.3**	
Channel Five	2010	3,569.6	371.5	8.1	144.3	1,617.6	3.9	623.3	**6,338.4**	**4.1%**
	2013	2,493.5	3,427.8	0.0	322.4	72.6	19.0	264.4	**6,599.7**	
REN TV	2010	1,760.5	1,841.2	0.0	23.6	935.7	11.7	288.4	**4,861.1**	**7.0%**
	2013	1,662.7	1,986.2	0.0	24.3	98.0	86.4	1,341.7	**5,199.3**	
TV Centre	2010	3,479.1	1,213.1	0.0	213.2	564.4	7.5	127.3	**5,604.6**	**0.4%**
	2013	2,529.7	2,049.9	1.5	67.0	594.5	4.9	377.5	**5,625.1**	
TV3	2010	2,528.5	3,076.1	0.0	185.6	848.9	444.1	609.5	**7,692.8**	**-10.1%**
	2013	3,634.0	1,083.5	0.0	872.8	179.3	34.5	1,110.4	**6,914.6**	
Domashniy	2010	2,158.4	2,936.7	5.6	0.3	307.3	72.6	182.4	**5,663.3**	**16.9%**
	2013	2,215.9	3,473.8	5.7	15.5	167.3	0.0	740.7	**6,618.8**	
Rossiya 2	2010	334.2	0.0	0.0	0.0	13.7	0.0	1,150.6	**1,498.5**	**120.4%**
	2013	1,422.9	460.3	0.0	0.0	279.2	0.0	1,139.6	**3,302.0**	
Zvezda	2010	4,321.3	1,700.9	0.0	145.5	486.4	9.9	726.6	**7,390.7**	**3.9%**
	2013	4,002.6	2,123.4	2.2	54.8	419.6	5.6	1,068.4	**7,676.6**	
Peretz (until 17.10.11: DTV)	2010	1,502.4	2,435.5	0.0	480.6	292.7	35.4	323.5	**5,070.2**	**-26.5%**
	2013	2,206.5	849.6	0.0	506.8	3.9	50.4	107.7	**3,725.0**	
Disney Channel (until 31.12.11: Semyorka; until 01.03.2011: 7TV)	2010	3,654.4	934.4	0.0	0.0	275.0	0.0	151.0	**5,014.9**	**52.1%**
	2013	1,422.8	2,866.8	0.0	414.6	0.0	2,925.1	0.0	**7,629.2**	
Rossiya K	2010	1,597.3	367.4	190.0	126.9	910.9	32.4	400.6	**3,625.6**	**-5.9%**
	2013	1,139.1	528.6	226.7	83.2	636.0	1.4	796.8	**3,411.8**	
Pyatnitsa (until 01.06.13: MTV Russia)	2010	90.9	1,030.6	0.0	9.4	0.0	596.5	0.0	**1,727.4**	**78.8%**
	2013	767.8	1,942.1	0.0	212.5	3.1	162.5	0.0	**3,088.0**	
U Channel (until 16.09.12: MUZ TV)	2010	25.0	264.0	0.0	256.1	0.0	85.1	0.0	**630.2**	**420.3%**
	2013	851.5	2,064.8	0.0	205.9	2.3	64.5	89.6	**3,278.5**	
2x2	2010	6.3	285.6	0.0	972.5	0.0	5,717.3	0.0	**6,981.7**	**-10.9%**
	2013	147.1	624.5	0.0	280.8	0.0	5,165.5	0.0	**6,218.0**	

Source: TNS Russia

Table 39. Specializations and qualitative characteristics of federal television channels' main content in 2014

	TV series	Films	Cartoons	Documentary films	Animated series	Documentary series
Channel One	daytime viewing: Russian dramas made for the channel; night-time viewing: features such as *Gorodskiye Pizhoni [City Slickers]* showcasing popular American series	daytime viewing: Soviet hits; night-time viewing: new foreign award-winners				
Rossiya 1	Russian dramas and crime series made for the channel	Russian dramas made for the channel; Soviet archive films				
NTV	Russian crime series made for the channel					
TNT	Russian comedies made for the channel	American comedies and action films			American children's productions	
CTC	Russian comedies made for the channel	popular foreign films, various genres	American children's productions		American children's productions	
Channel Five	Russian crime series made for the channel	Lenfilm archive films				
REN TV	Russian crime series made for the channel	foreign and domestic films, various genres				mystery and military investigations made for the channel
TV Centre	European detective series and Russian dramas made for the channel	Russian archive dramas		biographies (about Soviet actors) made for the channel		
TV3	Russian fantasy series made for the channel, US series	foreign fantasy, adventure, and thrillers				Russian and foreign mystery investigations
Domashniy	Russian and foreign dramas and detective series (USA, Europe, Turkey)	Russian dramas, including those made for the channel, Soviet archive films				celebrity life stories made for the channel
Rossiya 2	Russian crime series	Russian archive films				Russian popular science productions
Zvezda	Russian crime series	Russian archive films				Russian popular science productions
Peretz	Russian crime series, foreign fantasy series and erotica	Russian and foreign thrillers and action films				
Disney Channel	Disney series for children and young people	American fairy tales, comedies and dramas			Disney children's productions	
Rossiya K	foreign screen adaptations and detective series	Russian and foreign classics		Russian and foreign biographies and current affairs features		Russian and foreign biographies and popular science productions
Pyatnitsa	American dramas, fantasy and detective series; Russian comedies	American and European fantasy films				
U Channel	American, European and Brazilian dramas	American, European and Indian dramas				
2x2	American comedy hits		Soviet classics		Foreign adult series	

channel's main content category (TNS Russia statistics)

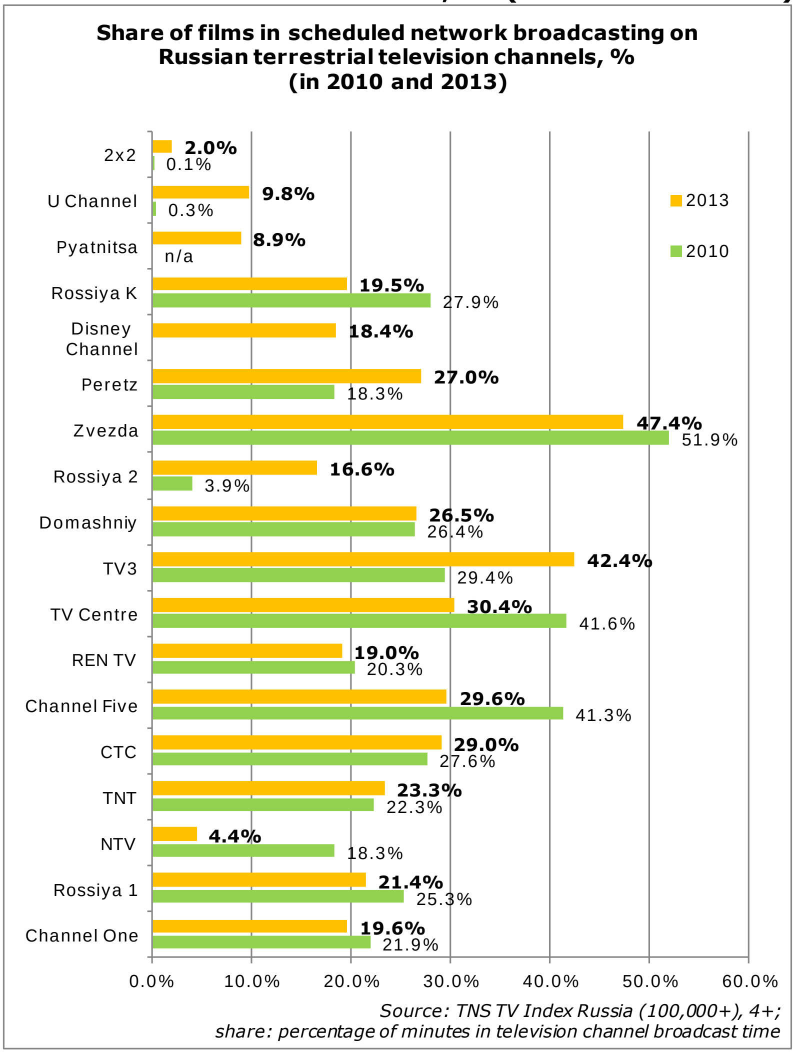
secondary category

tertiary category

Source: The terrestrial television channel network (Nevafilm Research analysis)

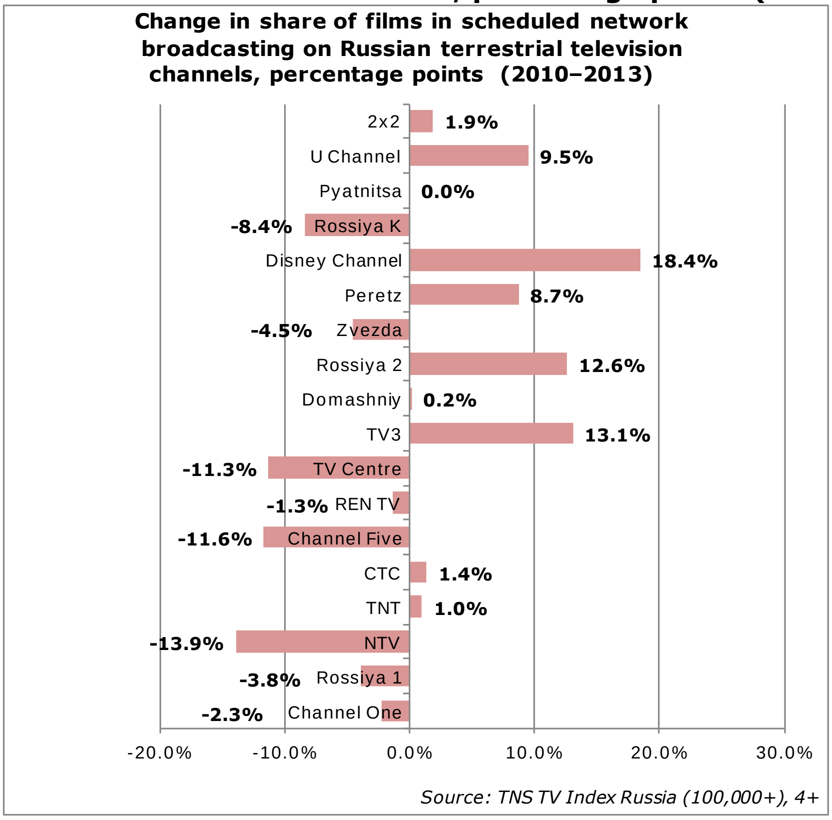
In terms of not just overall content screened on the channel, but the number of feature films broadcast specifically, Zvezda is the clear leader. The channel has always stood out for just that focus, with films exceeding 47% of its programming in 2013 (these are mainly Russian archive pictures – see Table 39). By 2013, TV 3 had taken second place, devoting over 42% of its airtime to films (showing popular American films with mystical or fantasy themes). In third place is TV Centre, where films (mostly Russian) account for only 30% of programming. We should note that CTC runs almost the same amount of feature film content (with foreign productions dominating), as does Channel 5 (which owns the full Lenfilm Studio archive collection).

Figure 69. Share of films in scheduled network broadcasting on Russian terrestrial television channels, % (in 2010 and 2013)



Just as many channels have changed concepts in recent years, similar changes are also underway with respect to the volumes of feature films being broadcast by federal terrestrial television channels. These processes, which began some time ago (during the global financial crisis of 2008 and 2009), present the greatest danger to Russian film producers and distributors from the channels with the highest ratings. For instance, in the 2010–2013 period, the share of film programming on Channel One went down by 2.3 percentage points, with reductions by 3.8 percentage points on Rossiya 1 and an almost catastrophic 14 percentage-point reduction on NTV; a slightly smaller reduction (around 11 percentage points) was observed on Channel Five and TV Centre. Film programming remains relatively stable on TNT, CTC, and REN TV. Although a majority of channels in the second group of ten in the rankings increased their share of film programming during the period examined, their income, and therefore the prices they offer for films, cannot compensate for the losses experienced by rights holders due to the reduced purchasing by the leading television companies, which earn money from advertising but also receive grants from the state (the biggest subsidies are granted to the Russia Television and Radio (VGTRK) holding – the channels Rossiya 1, Rossiya 2, Rossiya K, and Rossiya 24; the international, multilingual news channel Russia Today, Channel One, NTV, Channel Five, TV Centre, Zvezda, and Mir).[93]

Figure 70. Change in share of films in scheduled network broadcasting on Russian terrestrial television channels, percentage points (2010–2013)



The further development of the territorial television system in Russia is linked to the Concept for Transition to Digital Television and Radio Broadcasting, according to which the composition of the first multiplex was determined in 2009 (10 national free television channels[94]), with a

[93] See the detailed study by KVG Research for the European Audiovisual Observatory, 'TV Market and Video On Demand in the Russian Federation', December 2013, pp. 32–34 – http://www.obs.coe.int/documents/205595/552774/RU+TV+and+VoD+2013+KVG+Research+EN.pdf/5fbb076c-868e-423a-bfed-dca8b66cac43.

[94] Channel One, Rossiya 1, Rossiya 2, Rossiya 24, Rossiya K, NTV, Channel Five, Karusel, TV Centre, and Russian Public Television.

second group identified in 2012 and 2013.[95] Both were to be put into operation throughout Russia in 2015, although the first, broadcast of which is financed by the state, is already operating in most regions of the country. The members of the second multiplex are to pay for digital broadcasting themselves (to the order of RUB 1 billion per year). The concept assumed that analogue broadcasting would be shut off sometime between 2015 and 2018.

However, by the summer of 2014, it had become clear that the deadline for transitioning to digital television and radio broadcasting in Russia was not going to be met, and subsequently the shut-off of analogue stations was postponed until 2019, and the launch of the second digital multiplex until 2018. At the same time, changes were also made to the terms governing the subsidies granted to the members of the first multiplex: whereas, up to 2015, they have been receiving subsidies for digital broadcasting, they will henceforth have to finance this area from their own funds, while the government will take on the subsidizing of continued analogue broadcasting for the channels in the first multiplex.[96]

These changes may impact the volume of resources that the publicly accessible television channels in the first multiplex are able to devote to quality content, including cinematic content. Members of the second multiplex, on the other hand, will save money thanks to the postponement. They will not have to pay for broadcasting in either analogue or digital formats until 2018, because for now, they can broadcast only in analogue.

8.2. Non-terrestrial television

Non-terrestrial television channels in Russia include both Russian and foreign channels (adapted and non-adapted), which broadcast within the Russian Federation via cable, satellite, and IPTV networks without using terrestrial broadcasting stations.

However, pay television operators play an important role in Russia, because they offer consumers packages of pay television channels and various additional services (telephone, Internet, interactive services, etc.), and also enhance the system of traditional analogue television broadcasting. The number of additional pay TV channels in an operator's package is frequently becoming a secondary option in Russia; only in recent years has the pay television market started to develop in the country along the lines of the scenario in the West, when the number of non-terrestrial channels started to grow.[97]

According to iKS Consulting, by the end of 2013, the number of pay television subscribers in Russia had reached 34.6 million households, an 11% increase for the year. The largest companies providing paid access services to non-terrestrial television on the Russian market were Tricolor

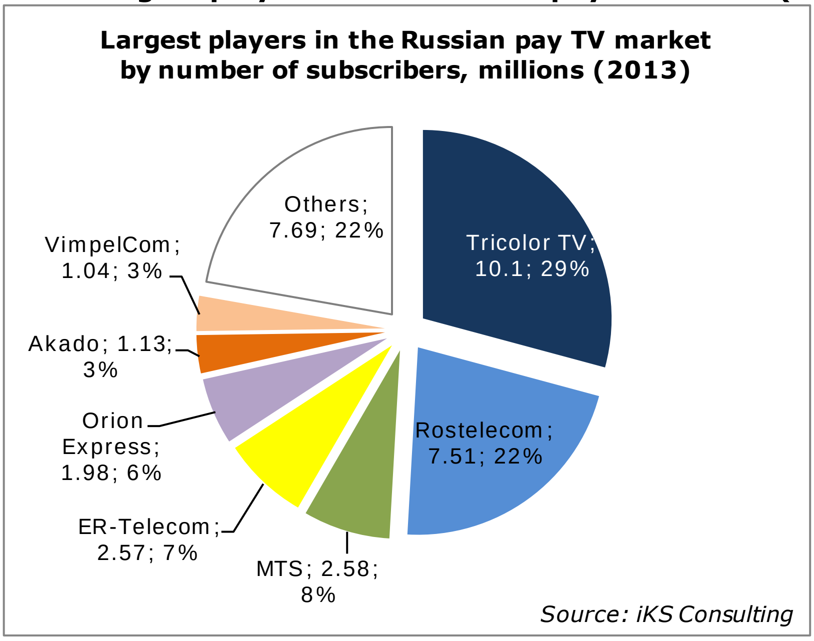
[95] Ren TV, CTC, Domashniy, TV 3, Spas, Sport Plus, Zvezda, Mir, TNT, and U Channel

[96] K. Boletskaya. 'State budget saves on Russian television and radio networks.' *Vedomosti.* 20 August 2014.

[97] Russian television: industry and business. Video International Analysis Centre, Moscow, 2010.

TV and Rostelecom, with 10 million and 7.5 million subscribers, respectively – over half the market.[98]

Figure 71. Largest players in the Russian pay TV market (2013)



Already, more than half of those who subscribe to pay television services take advantage of digital broadcasting. According to iKS Consulting data, from 2012 to 2013, the share of such users increased from 46% to 55%, an increase facilitated by connections to satellite and Internet television. Cable is still the leading pay television segment (51% of connected households); satellite TV operators had 38% of the market at the end of last year; and IPTV companies bring up the rear with 11% of pay television subscribers.[99]

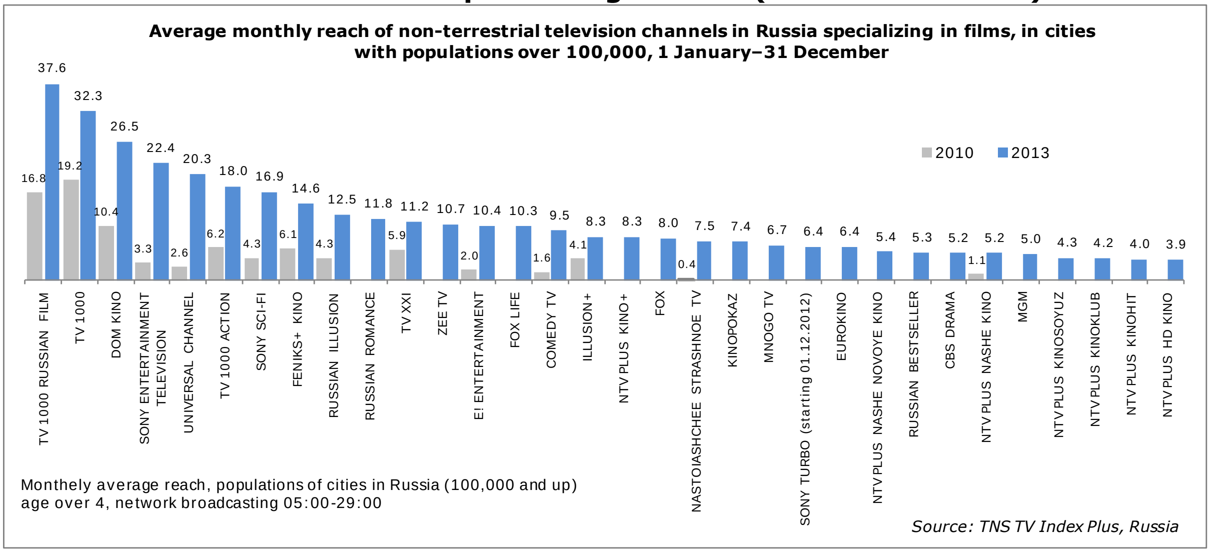
According to KVG Research, the nine biggest operators (including Megafon and NTV Plus) provide Russian subscribers with around 400 channels, including about 50 in HD.[100]

Of special note among the country's non-terrestrial channels are channels which specialize in feature films and TV series (Russian productions and foreign content adapted for Russian viewers). KVG Research estimates their share of pay TV operator offerings at 12%. TV Index Plus PM, a project to measure the audience of specialized channels, run by TNS Russia, calculates that there are around 30 such channels, led by TV 1000 Russkoye Kino and TV 1000 (both from Viasat), and Dom Kino (part of the digital TV family from Channel One). It is important to note that over the past three years, their average monthly audience has more than doubled. In 2010, the average number of people who watched the

[98] V. Noviy. 'MTS falls out of the top three.' *Kommersant*. 21 April 2014.
[99] A. Afanasyeva, V. Kodachigov. 'Russian cable television market starts to grow for the first time.' *Vedomosti*. 22 January 2014.
[100] See the detailed study by KVG Research for the European Audiovisual Observatory, 'TV Market and Video On Demand in the Russian Federation', December 2013, pp. 50–51 – http://www.obs.coe.int/documents/205595/552774/RU+TV+and+VoD+2013+KVG+Research+EN.pdf/5fbb076c-868e-423a-bfed-dca8b66cac43.

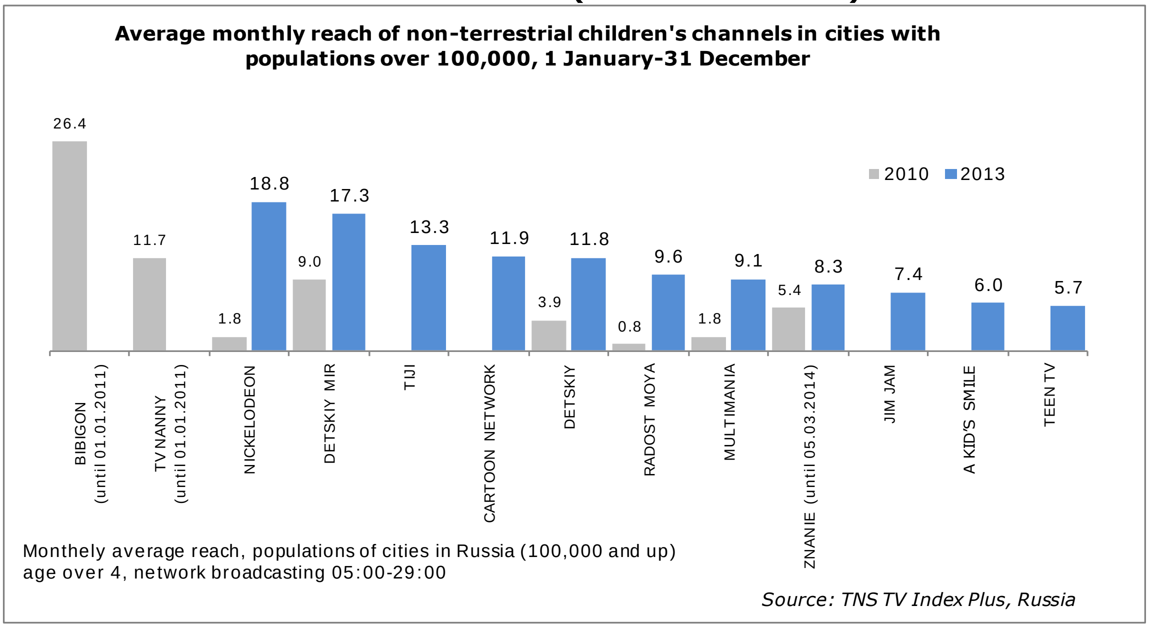
first two channels at least once per month was over 10 or 12 million, with that figure reaching 20 to 25 million in 2013. At the same time, the average monthly audience reach of the most popular non-terrestrial film channels in cities with populations over 100,000 rose from 18–19% to 32–37%.

Figure 72. Average monthly audience reach of non-terrestrial television channels in Russia specializing in films (in 2010 and 2013)



Aside from specialized film channels for a broad audience, the main consumers of cinematic content are children's non-terrestrial television channels, the largest of which, until the end of 2010, were Bibgon, produced by Russia Television and Radio group, and TV Nanny (from the Channel One digital television group). They formed the foundation for a unified children's terrestrial channel, Karusel, which is now part of the first multiplex of digital broadcasting and is a terrestrial channel. By 2013, the biggest non-terrestrial channels for children were Nickelodeon and Detskiy Mir, with an average monthly audience reach of 17–19% (totalling 11–13 million viewers per month). At the same time, the range of specialized pay TV channels for children on the Russian market is expanding. In 2012, KVG Research estimated that such channels had a 5.5% share of the total range offered by pay TV operators.

Figure 73. Average monthly audience reach of non-terrestrial children's channels in Russia (in 2010 and 2013)



This means that non-terrestrial specialized channels in Russia are enjoying increased popularity: their audience numbers are growing, both potential (those subscribed to pay TV networks) and actual (those watching specific channels at least once per month), and their range of offerings is expanding. Consequently, the potential for monetizing non-terrestrial channels has also been expanding, meaning there are also more sources of financing that they can use to purchase content. Aside from fees for subscription and connection to operator packages,[101] television channels have had the opportunity to increase their advertising income. That situation will soon change, because on 1 January 2015, pay TV channels in Russia will be forbidden by law to sell advertising.[102]

According to the Video International Analysis Centre, before 2010, advertising revenues accounted for 65–75% of the budgets of all television channels (both terrestrial and non-terrestrial). And although that source is important for terrestrial channels in particular, the pay TV segment has not been subject to individual provisions of the law on advertising, particularly concerning limitations on the advertising of alcoholic beverages. That has allowed non-terrestrial channels in Russia to earn additional income from advertising activities (and not just from beer makers on air from 22.00 to 7.00 local time, but also from the makers of stronger alcoholic beverages). As a result, between 2006 and 2009, the

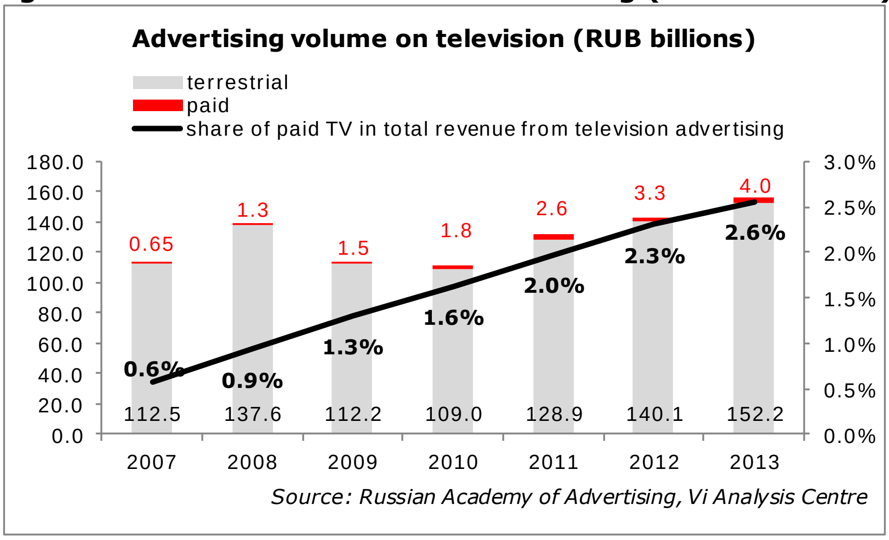
[101] There are two patterns in Russia by which operators and non-terrestrial television channels cooperate. In the case of popular channels, the operator pays; channels less attractive to audiences that want to join a package and expand their audience base to attract advertisers pay the operators.

[102] According to Federal Law No. 270-FZ, 'On Amendments to Article 14 of the Federal Law on Advertising', dated 21 July 2014, a ban will be introduced in Russia on the distribution of advertisements by channels accessible only on a paid basis.

advertising income earned by non-terrestrial television rose from 5% to 24%.[103]

Between 2010 and 2013, the advertising income of specialized pay television channels grew from RUB 1.8 billion to RUB 4 billion per year, while their share of the total advertising income for television rose from 1.6% to 2.6%.

Figure 74. Volume of television advertising (billions of RUB)



Significant changes in this area led to difficulties in the social and political realm in 2014. In January, the independent news channel Dozhd conducted an on-air poll about the Siege of Leningrad. Many considered the staging of the poll to be unethical. Government and media-sector officials reacted extremely negatively: the poll was deleted from the channel's website, and the management was forced to make a public apology. But that was not the end of the incident. The issue was put to the Russian Cable Television Association (RCTA), whose President spoke in favour of dropping Dozhd from the cable operators' packages.[104] His call was heeded, and soon the channel was indeed dropped – from the 25 biggest operators, including Tricolor TV, Akado, Dom.ru, NTV Plus, Beeline, and Rostelecom. As a result, Dozhd's audience shrank from 17.5 million to 2.5 million viewers in the course of just a few days[105], dealing a serious blow to the channel's advertising income. In March, the channel conducted a week-long marathon called 'Support Dozhd!' to collect funds to continue the team's work for another two months. In parallel, discussions were being held about a return to cable operator packages, although this has still not resulted in a restoration of the status quo from the start of the year. Starting in July, the channel transitioned to new subscription terms, with a significant cost increase, due to the fact that all

[103] Russian television: industry and business. Video International Analysis Centre, Moscow, 2010.

[104] K. Kitayeva. 'RCTA decide to teach Dozhd a lesson.' *RBC Daily.* 29 January 2014.

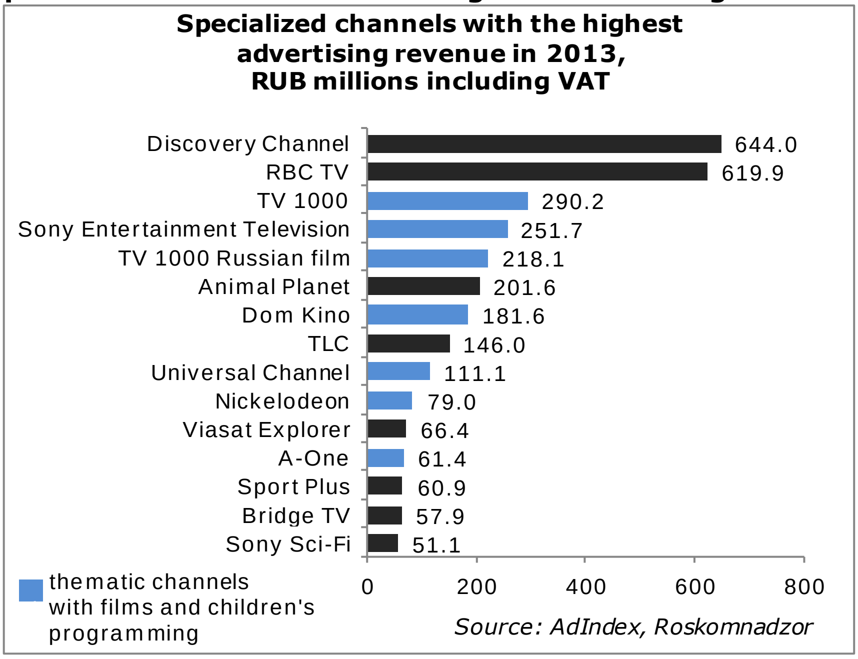
[105] See the press conference with General Director Natalia Sindeyeva and channel co-investor Alexander Vinokurov from 4 February 2014 – http://tvrain.ru/articles/dozhd_ne_zakryvaetsja_reklamodateli_ne_begut_dozhd_predlagaet_operatoram_svoj_signal_besplatno_glavnye_otvety_i_voprosy_ekstrennoj_press_konferentsii-361971/ (Russian only).

non-terrestrial pay television channels will be legally banned from placing advertisements on their broadcasting networks starting in 2015.

That federal law was adopted in Russia on 21 July 2014, and there is every reason to believe that its adoption is directly connected with the story of Dozhd recounted above. The situation has been further exacerbated in light of the growing tensions between Russia and the West over the Ukrainian political crisis.

However, the adoption of Law No. 270-FZ affects not just news channels, but all pay television channels, which in recent years had been able to reach a mutual understanding with advertisers. Now, the pay channels that are most popular with audiences and the most in demand by advertisers will be forced to reduce that growing line item in their budgetary income. Even RCTA representatives expressed apprehension about the law, sure that it would have the biggest impact on Russian producers of specialized television, who are more dependent on advertising revenue, not on foreign channels that have been adapted for Russian audiences. Fees for subscribers will increase, but not by enough to compensate for television producers' losses.[106] Growth in the pay television market will also slow down.

Figure 75. Specialized channels with the highest advertising revenues in 2013[107]



8.3. Trends and prospects for the development of televised distribution in Russia

For 2014, the following prospects for development in the market for televised distribution of cinematic content in Russia can be noted, based on the latest trends in this area:

[106] A. Yakoreva. 'Fewer channels which are good and different.' // *Kommersant-Dengi.* 7 July 2014.

[107] S. Sobolev. 'Discovery and TV 1000 forced to reject advertisements on the Russian airwaves.' // *RBC Daily.* 15 July 2014.

- reduced demand by the biggest federal television channels due to the dispersion and shrinking size of their audience and, as a consequence, lower prices for cinematic content for terrestrial broadcasting
- lower prices for content purchases by non-terrestrial television channels produced in Russia, due to their reduced monetary resources after the introduction on 1 January 2015 of the ban on advertising on pay television channels
- growing demand for genre-specific content based on narrower specializations by terrestrial channels, including for time slots within one channel (for example, night-time on Channel One), as well as on the availability of funds among channels in the second echelon (second multiplex group) due to the transition to digital content being postponed until 2018
- growing demand for high-quality and specialized content by non-terrestrial channels, which, under the advertising ban, will be forced to increase subscription fees for their services, meaning they will need to motivate viewers with higher-quality offerings

In addition, television distribution of film content may be affected by two recently passed laws:

- The elimination of restrictions for a single seller on the advertising market immediately led to a unification of the country's largest media holdings (Gazprom Media, Russia Television and Radio, Channel One, and National Media Group) in order to sell advertising through a single seller, a company named New Vi, which had partnered up with the current market leader, Vi, (Video International); only one player on the TV market, CTC Media, will be engaging in independent advertising sales. It is expected that the consolidated company will mobilize in its holding more than 80% of all television advertising, about 60% of all radio advertising and 40% of media advertising online. As a result, the TV companies' revenue will depend not so much on the advertising seller as on the quality of produced and purchased content.[108] Thus, the level of competition between the TV stations for best content may grow.
- The law on limiting the share of foreign capital in media companies (No. 305-FZ, dated 14.10.2014) stipulates that from 1 January 2016, foreign control over Russian media shall be reduced to no more than a 20% share. Immediately after the law was passed, CTC Media (CTC Channel, Domashny Channel, Peretz), Russia's largest media holding, trading on the NASDAQ stock exchange, lost more than 22% of its share value because the Swedish-based MTG Group currently figures among the holding's main shareholders, while another block of shares is owned by Telcrest, a Cypriot company run by Yuri Kovalchuk and his partners, and 36% of all shares are in free float (mostly

[108] K. Boletskaya 'Mobilized Advertising' // *Vedomosti*. 06.10.2014.

held by foreign funds).[109] Thus, the holding company must retrieve over half of its shares from foreign control. The Disney Channel has encountered similar problems, due to the fact that since 2011, 49% of its shares have belonged to the US-based Walt Disney Company.[110] All of this may affect the ability of these TV channels to acquire content.

[109] K. Boletskaya 'CTC Requests Exception' // *Vedomosti*. 10.10.2014.
[110] Walt Disney to write off up to USD 300 million of investments in Russian television - https://meduza.io/news/2014/11/24/walt-disney-spishet-do-300-mln-investitsiy-v-rossiyskoe-televidenie (Russian only).

LIST OF ILLUSTRATIONS

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

The European Audiovisual Observatory

Set up in December 1992, the European Audiovisual Observatory's mission is to gather and distribute 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 organizations 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, the compilation and management of databases and the provision of information through the Observatory's Internet site.

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NEVAFILM RESEARCH

Nevafilm

Nevafilm was founded in 1992 and has a wide range of experience in the film industry. The group has modern sound and dubbing studios in Moscow and St. Petersburg (***Nevafilm Studios***); is a Russian market leader in cinema design, film and digital cinema equipment supply and installation (***Nevafilm Cinemas***); became Russia's first digital cinema laboratory for digital mastering and comprehensive DCP creation (***Nevafilm Digital***); distributes alternative content for digital screens (***Nevafilm Emotion***); has undertaken independent monitoring of the Russian cinema market in the cinema exhibition domain since 2003; and is a regular partner of international research organizations providing data on the development of the Russian cinema market (***Nevafilm Research***).

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