Key trends in Russian cinema

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Director of publication
Susanne Nikoltchev, Executive Director
Editorial supervision
Gilles Fontaine, Department for Information on Markets and Financing
European Audiovisual Observatory

Chief Editor
Xenia Leontyeva, senior analyst
Nevafilm Research

Authors
Oleg Berezin, Pavel Kuzmichev and Xenia Leontyeva
(with the participation of Artem Gaidovskii, Anastasia Gorbenko, Tatyana Gorskaya, Aleksey Kiselev, Maria Petrova, Alexander Stoev, Anna Yevglevskaya, Alexandra Zheltikova, Elizaveta Zhukova, Galina Ziabkina)
Nevafilm Research

Translation and proofreading
Eclectic Translations

Design - Irina Bulanova
Editorial assistant - Julia Poliankova

Press and Public Relations - Alison Hindhaugh, alison.hindhaugh@coe.int European Audiovisual Observatory

Publisher
European Audiovisual Observatory
76, allée de la Robertsau
67000 STRASBOURG, France
Tel. : +33 (0)3 90 21 60 00
Fax : +33 (0)3 90 21 60 19
www.obs.coe.int
info.obs@coe.int

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EXECUTIVE SUMMARY

This report provides a comprehensive overview of the development of the Russian film industry between 2013 and 2017. We analysed data on the state of film production, distribution, and exhibition, and also considered both actual and potential changes to relevant legislation. On the basis of this analysis, we compiled SWOT matrices of film industry sub-sectors and a PEST chart of environmental conditions, which allowed us to identify key trends in the Russian film industry.

Analysis of film industry sectors: an overview

Film production

Despite a reduction in releases in 2017, the number of films produced in Russia has been on the rise in recent years, at around 140–150 films each year. At the same time, increasingly few films are receiving state support: while more than 70 such projects received public funding in 2015–2016, only 52 did in 2017. On the other hand, in 2017, twice as many films as usual (20 as opposed to ten) were shot with the involvement of TV channels. This is a very significant source of investment for producers. The regions have contributed a significant proportion of the overall film output: up to a quarter of all Russian films are being shot outside Moscow or St. Petersburg. Of this group, half are filmed in Yakutia. Gradually, creative and production clusters are starting to take shape in the regions, and this is having a positive impact on the decentralisation and diversification of the industry.

As things stand, the most active film studios still come from the ranks of the 'leaders of Russian film production'. These are determined annually by the Cinema Fund on the basis of several criteria and given priority consideration to receive large amounts of support from the Fund. These leading studios (between seven to ten per year) release more films, enjoy higher box-office returns, and are awarded the bulk of state support. At the same time, many of them achieve their status on the basis of just a small number of films: ten out of the 15 studios chosen as leading Russian production companies at least once have attracted more than 50% of their total audience on the back of just one film. This demonstrates that state support is non-diversified. Russian films accounted for a total of 24% of cinema admissions in 2017, but this figure varies; the very mechanism that is used to choose leading studios (based on the commercial success of previous films) prevents new studios from breaking into the list of leaders and old ones from falling out of it.

All over the world, information technology has been exerting increasing influence on how films are produced. This is particularly true in the case of special effects and animation. The production of Russian feature-length animated films is extremely dependent on the leading studios and support from the state. However, the tax benefits granted to animators in 2018 should help stimulate the development of this genre, particularly as animated films are more popular than live-action films in wide release: 10–15% of the releases in this genre account for 20–25% of all Russian box-office returns.

The diversification of state support in Russia is reflected in the development of non-monetary forms of protectionism: regulating release dates; applying more lenient age ratings to Russian films while applying stricter ratings to foreign films; concluding new international agreements and developing film commissions and fiscal incentives; expanding the network of cinemas that must devote at least 50% of their screenings to Russian films; and stepping up efforts to combat Internet piracy. Most of these measures should have a positive effect on Russian producers, although some negatively affect other sub-sectors of the film industry.

An attitude of total indifference to the gender imbalance prevails in the country, and men continue to occupy key positions in Russian film production. This trend is gradually starting to correct itself only in the case of female directors: between 2013 and 2017, the percentage of films shot by women increased from 11% to 23% (or 16% on average for the period as a whole). There are slightly more female producers and scriptwriters (they account for about 22% of the total), but no clear positive trend can be observed here. The same holds true for directors of photography, a profession which continues to attract very few women (3%). It is worth noting that it is easier for women to work in these positions on documentary films, while it remains extremely difficult for them to get involved in high-budget productions. This speaks to the existence of a glass ceiling.

Film distribution

The digital revolution paved the way for more films to make it to the big screen, with the number of films increasing from 280–350 in 2004–2011 to 400–450. The same can be said for event cinema: by 2016, a distribution system for event cinema had emerged and begun to enjoy considerable success (a total of 550–600 such films were screened as part of more than 200 programmes.) However, 2018 saw the adoption of the ‘law on film festivals’, which constitutes a serious threat to the continued existence of these types of public screenings, as it narrows the range of films that can be shown without a distribution licence (and the conditions for obtaining such a licence cannot always be satisfied in the case of creative content or retrospective releases). Documentaries and collections of short films have been the most successful in obtaining distribution licences, but so far, they have accounted for less than 0.5% of box-office returns in the country. Nevertheless, interest in documentaries is growing among both audiences and distributors, while distributors of short films have recently started leaving the Russian market.

American films prevail in wide release, accounting for 60% of Russian cinema admissions. Representatives of the Hollywood majors have been able to acquire more than 80% of the market, although their market share has started to decline in recent years after peaking in 2016, when a few hits accounted for the majority of cinema admissions. The majors are also interested in Russian content, seeing both business opportunities (since these films are popular) and political opportunities (since they receive the full support of the Cinema Fund) in championing Russian film. The fact that the largest-scale Russian projects are distributed by the majors has meant that fewer small cinemas are able to screen these films, since they are required to pay a certain minimum guarantee. The Cinema Fund has recently advanced a proposal to solve this problem by acting as an intermediary between the distributor and the cinema to guarantee payment of the distributor's screening fee, so no minimum guarantee is necessary.

With the transition to digital, big budgets which used to be spent on distribution have instead gone to television, where distributors and producers now spend most of their advertising money. The most advertised films in 2017 appeared in five times more TV spots than the most advertised films of 2013. However, the number of films advertised fell by a third (since now only the biggest releases and the strongest distributors purchase airtime). Between 2016 and 2017, the number of advertisements for Russian films increased considerably. This might explain their growing popularity, alongside increasing levels of state support (including the non-returnable subsidies granted to everyone during 2016, the Year of Russian Cinema, and reinvested loans granted by the Cinema Fund) as well as the increased interest that TV channels have shown in participating in Russian film production. It is clear that many distributors who primarily work with foreign films are increasingly moving their businesses to the Internet (so far, there is no data on what they have been spending in this area). The ubiquity of TV advertising for films is transforming the film industry into an unequal playing field, and it is contributing to increasing income inequality among film producers. It is also aggravating the crisis in independent distribution of both Russian and foreign films. The latter situation is further exacerbated by the expansion of the network of small cinemas and by protectionist legislative initiatives and law enforcement practices.

The video-on-demand segment is rapidly evolving: the number of services is growing, and they are offering their own content, the chance to watch TV shows before their main broadcast, etc. Moreover, the window between the theatrical and digital release of films is shrinking, a trend which was particularly clear in 2017 and 2018: the release window is already approaching 8.8 weeks at the time of writing. It is interesting that Russian producers are increasing the window (from four to 7.5 weeks over the last three years), while producers from the US and Europe are reducing it (from 10–12 to 8.9–9.6 weeks). Ongoing efforts to combat video piracy (in particular, the law banning mirror sites) are smoothing the way for the development of legal services and lending a helping hand to theatrical releases. However, the law establishing a register of online streaming services and regulating foreign ownership, which was adopted in 2017 with the intention of restricting competition with foreign companies on the Russian market, has not yet come into effect.

Film exhibition

There was little change in attendance and box-office returns between 2013 and 2015, with about 175 million admissions per year. Two fruitful years followed, attracting 193 and 213 million cinemagoers respectively, although the depreciation of the rouble led to a twofold drop over the space of five years in the level of interest expressed by foreign producers in the Russian market. At the same time, the drop in the price of a film ticket in roubles (in both real and nominal terms) indicates that people’s purchasing power is decreasing, threatening to reduce revenues for the entire film industry.

As of 1 July 2018, there were 1,604 cinemas in Russia with 4,794 screens. A fully digital distribution system is in place across the entire country: all cities with a population of 250,000 or more have access to a cinema which uses digital technology (this has been true for quite some time). However, distributors are first and foremost interested in Moscow, St. Petersburg and population centres with more than a million residents, since 47% of all film tickets are sold there. In large cities, there is increasing competition between cinemas, while in small cities the level of film consumption (and, consequently, the profitability of the film exhibition business) is low. The Cinema Fund is working to develop the cinema network in these areas: it has allocated funds to open 810 screens in small towns. All of these new venues should be operating by the end of 2018. Thanks to this, the number of screens in the country continues to increase by around 10% every year.

The major South Korean multiplex cinema chain CJ CGV is expected to open its first cinemas in Russia in the near future. The owner of both the Rambler media holding and the cinema chain comprising Cinema Park and Formula Kino (the current leader of the Russian film exhibition market, with a share of 13% of the country's screens) has started to develop a unified platform to sell both cinema tickets and films on its Okko video-on-demand service. This is an attempt to adapt to the changing habits of the company's audience: the younger generation are less likely to go to the cinema, tending instead to watch videos online using mobile devices. Cinemagoers are getting older, and in Russia, the so-called demographic gap is widening (there are currently half as many 17-year-olds as there are 29-year-olds: 1.3 million compared to 2.6 million), which means that the number of people who go to the cinema frequently is decreasing faster in Russia than it is abroad.

Key trends

In summarising the results of our study, we have identified ten key trends that are influencing and shaping the medium-term outlook for the Russian film industry:

• The current difficult economic situation in Russia is reducing the incomes of professionals in all branches of the industry and increasing expenditure on the foreign technologies and equipment on which the industry depends.

• In Russia, federal executive bodies have assumed a more prominent role in regulating the film market and the activities of market players, which is having an impact (both positive and negative) on all sub-sectors of the film industry.

• The Russian cinema network has continued to expand thanks to financial support from the federal budget, which is having a positive effect on distribution and the production of domestic films. It is also having a positive effect on cinema exhibition, although this effect is more ambiguous: the number of cinemas may have increased, but competition is also increasing, and the fate of subsidised screens is uncertain.

• State financial support for film production is concentrated on an increasingly small number of big-budget films produced by leading studios. This means that the market share of Russian films is more and more dependent on the box-office returns of a small number of players and projects.

• There are more sources of income and investment for producers: partnerships with TV channels, crowdfunding, foreign sales (which are especially important given the weakness of the rouble), the development of video-on-demand services, TV channels dedicated to specific topics, etc.

• The creative diversity of Russian film production is increasing as regional film clusters are formed; producers based in Moscow and St. Petersburg are able to diversify their risk by getting involved in the activities of their colleagues in the regions and taking advantage of their support systems (film commissions and rebates).

• Animation and information technology are of increasing significance to filmmakers: feature-length animated films are popular with audiences, and special effects and computer-generated imagery are becoming indispensable components of live-action films, in which form prevails over content.

• Television is expected to become less dominant as a vehicle for advertising films, while the Internet and other forms of digital interaction with audiences will come to play a more important role. This will promote the development of competition between the various distributors and producers and reduce the power of the Hollywood majors and leading producers.

• The difficult demographic situation in the country is negatively impacting the development of the Russian film industry as a result of segmentation of the audience, whose demand for different types of film is currently being met by the development of creative content distribution.

• Consumers of content increasingly want multiple platforms (cinema, television, video on demand, mobile devices, games, augmented reality, etc.), which is leading to the restructuring of the traditional film production and sales system.

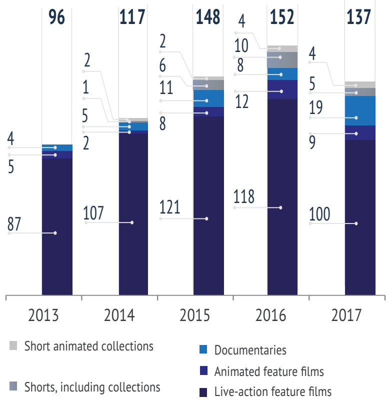
The economy is therefore the most important factor impacting the film industry. The second most important factors are political and social, with the effect of technology on the Russian film industry in third place. The most important conclusion of this study for Russian film producers is that they must pay particular attention to the social changes that are taking place. Distributors would be advised to focus on minimising economic and legislative risks, but it is Russian cinemas that are facing the most problems, since they must overcome technological and social challenges as well as economic and legislative issues.

Chapter 1. A DESCRIPTION OF FILM PRODUCTION

1.1. Film production in Russia

We begin by assessing the volume of film production in Russia based on the number of Russian films distributed to cinemas. Their numbers grew steadily between 2013 and 2016. 2016 was declared the Year of Russian Cinema, and to mark this event, all subsidies allocated to film producers from the federal budget were declared non-repayable (this did not apply to the Cinema Fund's own financial resources, which it receives back from producers). This measure failed to increase the number of films released in 2017, but given the duration of film production cycles, we may still observe its impact in the number of releases in 2018. 2017 was an especially fruitful year for Russian documentary film makers, who released 19 films. It should be noted that the collections of short animated films released by *Kinodetstvo (Children's Cinema)* and *Mult v Kino (Cartoons at the Cinema)* were counted as one release for the year, although they consisted of several release collections.[1]

Number of Russian films released (including regional)



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

Russian film producers have made and distributed a total of around 650 films over the past five years. Moscow is the leader in film production, followed closely by St. Petersburg. Regional film production companies are also on the rise: 17% of all Russian films in 2017 were produced outside of Russia's two main cities, and regional films constituted 22% of all Russian releases in the period from 2013 to 2017.[2]

1.2. Ranking of Russian regional film production

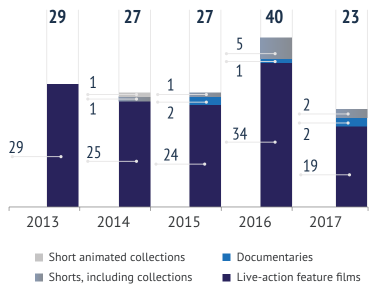
Before beginning our analysis of film production in the regions, we must define our key term. 'Regional' films are to be understood as films made by a producer and film crew based outside Moscow and St. Petersburg and distributed to cinemas primarily in their own region or neighbouring regions without using the services of a film distributor.

Over the past five years, a total of 146 regional films have been produced in Russia. Most of these are feature-length films. Other forms of cinema are not particularly well developed, except for collections of short films, which were especially common in regional cinemas in 2016.

[1] *Between 2015 and 2017, 70 episodes by Mult v Kino and 27 collections by Kinodetstvo were released.*
[2] *This market segment was first surveyed in a 2014 report by the European Audiovisual Observatory entitled 'The Film Industry in the Russian Federation': https://rm.coe.int/0900001680783dd9*

Yakutia has been the leader in regional film production in Russia for the past five years, with 64 films produced and released there. In recent years, however, there has been a decline in film production in this region: the number of films produced there shrank by almost 60% between 2013 and 2017. The Republic of Buryatia is the second most prolific region based on the total number of films produced over the past five years, although three times fewer films are produced there than in the market leader Yakutia (22 films in all). Buryatia has also been experiencing a decline in film production (by 50% since 2013). The Republic of Tatarstan is in third place, but the gap between second-placed Buryatia and third-placed Tatarstan is slight, with only 30% fewer films made in the past five years in Tatarstan than in Buryatia. This is still a good result, since Tatarstan did not release a single film for the big screen between 2013 and 2015. The Republic of Bashkortostan, which came fourth, also merits a mention, producing nine films over the past five years. The last of the top five regions for film production is the Irkutsk Region, with six films produced over the same period.

Number of Russian films released (including regional)



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

Amount of film releases by region (2013–2017)

Region	2013	2014	2015	2016	2017	Total for the period
Republic of Sakha (Yakutia)	19	12	12	13	8	64
Republic of Buryatia	6	5	4	4	3	22
Republic of Tatarstan	-	-	-	12	4	16
Republic of Bashkortostan	-	3	2	1	3	9
Irkutsk Region	1	1	-	2	2	6
Samara Region	-	-	1	1	1	3
Omsk Region	2	-	-	-	1	3
Orenburg Region	-	2	-	1	-	3
Kabardino-Balkar Republic	-	-	1	1	-	2
Novosibirsk Region	-	1	1	-	-	2
Krasnoyarsk Territory	-	1	1	-	-	2
Sverdlovsk Region	-	1	1	-	-	2
Primorye Territory	-	-	-	-	1	1
Ulyanovsk Region	-	-	-	1	-	1
Lipetsk Region	-	-	-	1	-	1
St. Petersburg	-	-	-	1	-	1
Chuvash Republic	-	-	-	1	-	1
Chechen Republic	-	-	-	1	-	1
Tula Region	-	-	1	-	-	1
Zabaykalye Territory	-	-	1	-	-	1
Republic of Kalmykia	-	-	1	-	-	1
Amur Region	-	-	1	-	-	1
Saratov Region	-	1	-	-	-	1
Tambov Region	1	-	-	-	-	1

Sources: RCFA, Russian Film Business Today Magazine

Sources: Booker's Bulletin, comScore, Nevafilm Research

Certain regional film producers have attracted the attention of Moscow's film companies. For instance, *Elastiko,* a Buryat film released in 2016, was supported by Enjoy Movies, which is based in Moscow. This is an infrequent occurrence, but could serve as a substantial incentive for film-makers in the regions.

The Youth Division of the Russian Union of Cinematographers has been doing a great deal of work to develop Russian regional cinema in recent years, assisting pitching projects throughout the country and reviving regional branches of the Union and its youth divisions.

Russia has recently been trying to learn from foreign experience, launching a fiscal incentive system in selected regions in 2016–2017 with the aim of supporting the development of regional film production. The Association of Film and Television Producers cooperated with the Agency for Strategic Initiatives to produce documentation for so-called cash rebates. The initiative is supported by the Cinema Fund, whose focus is the organization of film commissions (the main aim of which is to assist film crews in finding locations, obtaining filming permits, and selecting technology and personnel). The Cinema Fund has proposed[1] that film commissions take on the responsibility of paying out rebates and developing appropriate guidelines. However, regions still maintain considerable autonomy in appointing a film commission.

At the beginning of 2018, three regions announced the receipt of their first rebates for the production of national films (with the corresponding certification): the Primorye Territory (up to 15% or RUB 5 million per project), the Kaliningrad Region (up to 20% or RUB 20 million in 2017 and twice the amount in 2018), and the Astrakhan Region. The Ulyanovsk and Irkutsk regions later announced the development of similar programmes. One obstacle for local and foreign film crews is the fact that, in order to obtain a rebate, a film has to be certified as a national film. However, local film crews sometimes do not know what a National Film Certificate is or are unable to obtain one remotely (and travelling to Moscow or using the services of intermediaries costs money), while foreign crews do not have the right to a certificate.

More recently the Rostov Region, Moscow, the Moscow Region, St. Petersburg, the Novgorod and Vologda regions, and the Krasnodar Territory have all announced developments in their cinema industries in one form or another (the creation of film commissions or the signing of memorandums of cooperation).

According to Cinema Fund data there were 11 film commissions in Russia at the end of 2017, four of which were offering producers rebates on the money they spent on film production within the region. However, there are only eight film commissions with operational websites as of August 2018, one important measure of the degree of activity of the commissions:

- Siberia (created by the Irkutsk Region, currently encompassing 11 regions): *http://filminsiberia.ru/*
- The Primorye Territory: *http://primoryefilm.ru/*
- Moscow: *http://filmmoscow.ru/*

[1] See http://www.fond-kino.ru/projects/kinokomissii/. [Russian only]

• The Moscow Region: *http://mosoblkino.ru/kinokomissiya-br-moskovskoj-oblasti/*
• The Ulyanovsk Region: *https://ulkul.ru/news/culture/kinokomissiya-ulyanovskoy-oblasti.html;*
• The Kaliningrad Region: *https://www.cinema39.ru/;*
• The Novgorod Region: *http://kinokomissiya-no.ru/ and http://kinokomissiya-vn.ru;*
• The Tula Region: *http://tulafilmcommission.ru/*

As regional budgets are currently providing only quite small sums of money to cover rebates, and producers and film crews are still adapting to collaboration with film commissions, the above measures cannot yet be viewed as successful in stimulating regional film production or film production as a whole. On the other hand, it may take some time to change working practices, and it will be a few years before we are able to judge the effectiveness of these measures.

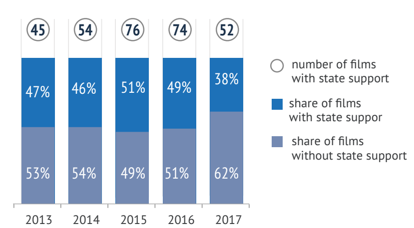
1.3. State support for film production

Since the end of 2009, two institutions have been supporting the production and distribution of films in Russia. The Ministry of Culture is responsible for films for children and young people, debut films, experimental and auteur feature films, educational film series, documentaries, popular science films, and animations. The Federal Fund for Social and Economic Support of National Cinematography (the Cinema Fund) provides subsidies and loans for the production and promotion of commercial films for mass audiences, according to its regulations, with the aim of 'increasing the competitiveness of Russian cinematography, providing the conditions for the production of quality films corresponding to national interests, and popularising national films in the Russian Federation and abroad'.

According to Nevafilm Research[1], between 45 and 76 films have been released every year which received state support from the federal budget at the production stage. Ordinarily, approximately half of all releases receive support, but in 2017, the proportion of films made without state support rose to over 60%.

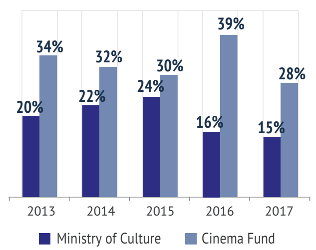
On average, 46% of Russian films distributed during the five-year period were supported by the Cinema Fund or the Ministry of Culture. The Cinema Fund tends to have more money at its disposal than the Ministry of Culture does, as the Cinema Fund can reinvest repaid loans. The Fund therefore supports more films than the Ministry of Culture.

Proportion of all Russian films in distribution receiving state production support at the federal level



Source: Nevafilm Research

Proportion of all Russian films in distribution receiving federal production support from various sources



Source: Nevafilm Research

[1] These calculations have been made on the basis of lists of films which received subsidies from the Ministry of Culture and the Cinema Fund and which were published on the official websites of the institutions concerned and in the film industry press, as well as by examining the credits of Russian films released for distribution between 2013 and 2017.

State support for film production in Russia (billion RUB)

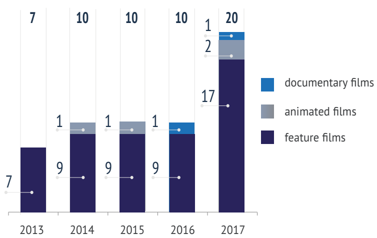
Source	2013	2014	2015	2016	2017
Subsidies from the Ministry of Culture	*3*	*2.9*	*1.9*	*2*	*3*
Subsidies from the Cinema Fund	*2.8*	*3*	*3*	*2.9*	*3*
Money reinvested by the Cinema Fund	*0.1*	*0.4*	*0.3*	*0.7*	*0.9*
Total	*6.2*	*6.3*	*5.2*	*5.5*	*6.9*

Source: Ministry of Culture, Cinema Fund

1.4. Participation of television channels in film production

Despite the absence of any legal requirement to do so, Russian television channels also often support film production, acting as co-producers of Russian films. Between 2013 and 2016, seven to ten such films were released for distribution each year; in 2016 and 2017 these included documentaries such as *Koltsa mira (Rings of the World),* made with the participation of VGTRK (Rossiya 1), and *To, chto vo mne (What Is Inside Me),* made with Channel One. In 2017, however, the number of films made in co-production with television channels and then released abruptly increased to 20, which may be one of the reasons why audience shares for Russian releases increased to 24% (see 2.2. The countries of origin of films in distribution in Russia).

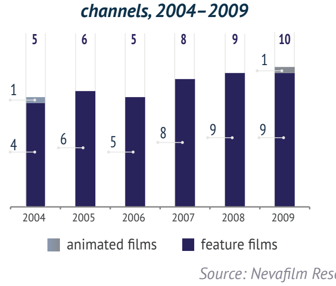
Number of films receiving production support from TV channels, 2013–2017



Source: Nevafilm Research

TV channels who participate in the production of films can use their broadcasts, news bulletins, and talk shows to provide additional promotion for films when they are released. (They can also show the film on TV relatively quickly: for example, the top film of 2017, *Posledny Bogatyr (The Last Warrior),* was released in cinemas on 26 October 2017 and shown on Rossiya 1 as early as 1 January 2018.) This type of marketing support, which was not taken into account by Mediascope in its tally of marketing trailers (see 2.5. Film advertising on television), has a significant influence on audience interest in a film. In fact, films made with TV channel participation often end the year high up in the ratings. For example, in 2013, the top ten included *Stalingrad* (first place) and *Legend No. 17* (sixth place); *Yolki 3* overtook *Legend No. 17,* but it came out near the end of 2013, so did not make the top ten in either 2013 or 2014; in 2016, *Flight Crew* took sixth place; in 2017, Viking was placed seventh (taking returns in December 2016 into account, it brought in more than *Flight Crew*), and *The Last Warrior* came second; and in 2018, *Three Seconds* is currently at the top of the charts. All these films were made with the participation of Rossiya 1 (with the exception of *Viking,* in which Channel One was involved) and actively promoted on air.

Number of films receiving production support from TV channels, 2004–2009



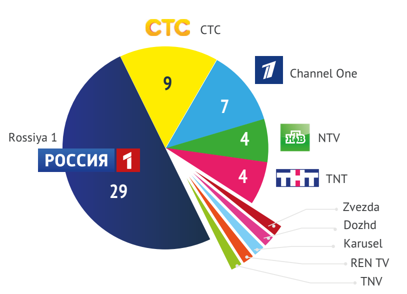
Source: Nevafilm Research

However, TV channel participation in film production is hardly a new phenomenon in Russia. We remarked upon this trend in one of our first studies of the Russian film industry for the European Audiovisual Observatory[1]: in the period from 2004 to 2009, between five and ten films released for distribution had received production support from television channels.

The most active TV channel participating in film production in recent years has been the VGTRK group of companies (Rossiya 1), followed by CTC in second place and Channel One in third. Interestingly, the Republic of Tatarstan's local channel TNV (Tatarstan-Novyi Vek TV) helped to produce the regional film *Neotoslannye pisma* (Unsent Letters) in 2017.

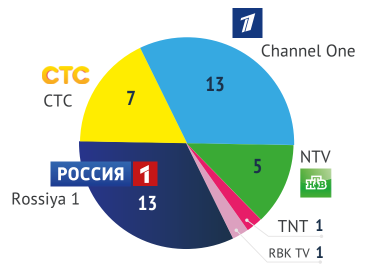
Compared with a similar five-year period for which we have previous data about TV channel participation in film production, Channel One has become much less active in this area. However, the total number of channels involved in the film business has grown.

Participation of TV channels in the production of films released between 2013 and 2017



Source: Nevafilm Research

Participation of TV channels in the production of films released between 2005 and 2009



Source: Nevafilm Research

1.5. Production companies ranked

Production companies were ranked using production studio data provided in film distribution licences and on the kinopoisk.ru website. Lists of companies were merged, and we also combined affiliated studios with their parent companies based on lists of films provided on the websites of the latter; studios which produce films in different genres (in particular, both animated and feature films) were not consolidated.

The most prolific domestic production companies in terms of number of films produced are Enjoy Movies and CTB, each of which has released 25 or more films within the last five years. More than 15 films were released with the participation of TaBBaK (Bazelevs) and Art Pictures Studio. The remaining producers in the top 20 produced between five and 11 films which have already been distributed[2].

[1] For more detail, see: The Film Industry in the Russian Federation – https://rm.coe.int/0900001680783539
[2] In total, ten Russian studios each produced five releases in the period 2013–2017, including Yakutsk studio Sakhafilm; total admissions for these films were taken into account in selecting companies to be included in the top 20.

The number of films released by studios is by no means the most important indicator of their success, however. If studios are ranked according to admissions,[1] then the distribution changes, with the so-called leading domestic film producers (for more detail, see 1.4. The role of leading Russian film production studios) moving into the top positions. And if figures for the average audience per film are taken into consideration, then we see that Enjoy Movies, which produced the most films, made the least impression on cinemagoers. On the other hand, Studio TRITE, Melnitsa Animation Studio, Kinoslovo, Direktsiya Kino, television channels Rossiya 1 and TNT, and Russian Film Group,[2] none of which released many films, have achieved impressive results through collaboration on large-scale, high-budget productions which attract large audiences.

Key Russian film producers by number of releases in the CIS, 2013–2017

Rank	Studio	2013	2014	2015	2016	2017	Total releases during 5-year period	Proportion of films made with the participation of TV channels	Proportion of films made with Cinema Fund support	Proportion of films made with Ministry of Culture support
1	Enjoy Movies	3	6	9	9	1	27	11%	67%	-
2	CTB	5	3	6	6	5	25	16%	76%	12%
3	TaBBaK (Bazelevs)	3	3	7	3	2	18	44%	94%	11%
4	Art Pictures	2	2	7	3	3	17	29%	82%	18%
5	Yellow, Black and White	-	3	1	3	4	11	36%	91%	18%
6	Mars Media Entertainment	-	1	3	3	3	10	-	20%	50%
7	Lenfilm	1	1	1	2	5	10	10%	40%	30%
8	Mosfilm	1	2	3	2	1	9	11%	22%	56%
9	Melnitsa Animation Studio	1	-	2	3	2	8	13%	100%	-
10	Non-Stop Production	4	2	-	1	1	8	25%	63%	13%
11	Renovatio Entertainment	2	1	-	4	1	8	13%	75%	-
12	Interfest (Real-Dakota)	2	1	4	1	-	8	-	50%	38%
13	Central Partnership	2	2	1	1	1	7	14%	71%	-
14	Rock Films	3	2	-	-	2	7	-	71%	29%
15	Nikita Mikhalkov's Studio TRITE	1	2	1	1	1	6	67%	100%	-
16	Kinofirma	1	-	-	3	2	6	-	17%	17%
17	Russian World Studios	-	4	-	1	1	6	-	50%	67%
18	Vertical	-	3	1	2	-	6	-	50%	67%
19	Lunapark	1	3	-	-	1	5	-	80%	-
20	Igor Tolstunov's Production Company	1	2	-	2	-	5	20%	80%	40%

Sources: Russian Film Business Today Magazine, Booker's Bulletin comScore, RCFA, Nevafilm Research, kinopoisk.ru, National Film Registry

In 2013–2017, only seven studios participated in creating more than one animated film subsequently released in Russian cinemas. The leaders among these studios are CTB and Melnitsa Animation Studio, both of which were co-founded by producer Sergey Selyanov.

[1] Our ranking takes into account admissions for 2013–2017 releases in the CIS, from 1 January 2013 to 30 June 2018.
[2] This list includes only companies that produced more than one film during the five-year period.

Key Russian film producers by CIS admissions, 01/01/2013 to 30/06/2018 (2013–2017 releases)

Rank	Studio	Total releases during 5-year period	Admissions (thousands)	Box-office returns (millions)	Average admissions per film (thousands)	Proportion of films made with the participation of TV channels	Proportion of films made with Cinema Fund support	Proportion of films made with Ministry of Culture support
1	TaBBaK (Bazelevs)	18	30,739.1	7,324.6	1,707.7	44%	94%	11%
2	CTB	25	27,300.4	6,132.1	1,092.0	16%	76%	12%
3	Nikita Mikhalkov's Studio TRITE	6	23,353.1	5,764.7	3,892.2	67%	100%	-
4	Art Pictures Studio	17	19,618.8	4,963.0	1,154.0	29%	82%	18%
5	Melnitsa Animation Studio	8	19,481.7	4,319.3	2,435.2	13%	100%	-
6	Yellow, Black and White	11	17,789.6	4,134.4	1,617.2	36%	91%	18%
7	Enjoy Movies	27	16,588.0	3,870.5	614.4	11%	67%	-
8	Kinoslovo	3	9,949.3	2,294.1	3,316.4	33%	100%	-
9	Non-Stop Production	8	9,665.5	2,560.2	1,208.2	25%	63%	13%
10	Rossiya 1	3	8,306.3	1,923.4	2,768.8	100%	100%	-
11	Lunapark	5	7,998.5	1,781.2	1,599.7	-	80%	-
12	Walt Disney Pictures	1	7,784.7	1,732.6	7,784.7	100%	100%	-
13	Direktsiya Kino	2	6,674.4	1,714.2	3,337.2	100%	50%	-
14	Renovatio Entertainment	8	6,390.4	1,503.0	798.8	13%	75%	-
15	Vodorod Pictures	3	6,352.5	1,591.9	2,117.5	67%	100%	-
16	Viking Productions	1	5,833.9	1,531.9	5,833.9	100%	100%	-
17	Central Partnership	7	4,714.2	1,078.0	673.5	14%	71%	-
18	Russian Film Group	2	4,523.3	1,217.1	2,261.7	-	50%	50%
19	Step by Step Film Production / Marins Group Entertainment	1	4,444.7	1,200.3	4,444.7	-	100%	-
20	TNT	2	4,009.9	938.2	2,004.9	100%	50%	-

Sources: Russian Film Business Today Magazine, Booker's Bulletin comScore, RCFA, Nevafilm Research, kinopoisk.ru, National Film Registry

Key Russian animation studios by number of films released, 2013–2017

Rank	Studio	2013	2014	2015	2016	2017	Total releases during 5-year period	Proportion of films made with the participation of TV channels	Proportion of films made with Cinema Fund support	Proportion of films made with Ministry of Culture support
1	CTB	3	-	2	4	2	11	9%	100%	9%
2	Melnitsa Animation Studio	1	-	2	3	2	8	13%	100%	-
3	Wizart Film	1	-	1	2	-	4	-	100%	-
4	TaBBaK (Bazelevs)	-	-	2	1	-	3	33%	100%	-
5	Art Pictures Studio	-	-	1	1	-	2	-	100%	-
6	KinoAtis	-	1	1	-	-	2	50%	50%	100%
7	Rome Animation & Film Studio	1	-	-	1	-	2	-	50%	-

Sources: Russian Film Business Today Magazine, Booker's Bulletin comScore, RCFA, Nevafilm Research, kinopoisk.ru, National Film Registry

They top the charts for admissions and box-office returns for feature-length animated films distributed in the CIS, and also do well in terms of their results per film. In addition to these studios, between 2013 and mid-2018, more than a million viewers saw CIS-distributed films by Blitz Films/Aeroplan *(The Fixies: Top Secret)* and Smeshariki/Petersburg Animation Studio and Art Pictures Studio *(Kikoriki: Legend of the Golden Dragon)*.

Key Russian animation studios by CIS admissions, 01/01/2013 to 30/06/2018 (2013–2017 releases)

Rank	Studio	Total releases during 5-year period	Admissions (thousands)	Box-office returns (RUB millions)	Average admissions per film (thousands)	Proportion of films made with the participation of TV channels	Proportion of films made with Cinema Fund support	Proportion of films made with Ministry of Culture support
1	CTB	11	20,757.8	4,564.9	1,887.1	9%	100%	9%
2	Melnitsa Animation Studio	8	19,481.7	4,319.3	2,435.2	13%	100%	-
3	Wizart Film	4	3,931.2	833.4	982.8	-	100%	-
4	Art Pictures Studio	2	2,255.0	454.7	1,127.5	-	100%	-
5	Blitz Films/Aeroplan	1	2,084.1	405.4	2,084.1	-	-	-
6	KinoAtis	2	1,495.4	290.0	747.7	50%	50%	100%
7	TaBBaK (Bazelevs)	3	1,398.5	322.1	466.2	33%	100%	-
8	Smeshariki/Petersburg Animation Studio	1	1,358.7	262.8	1,358.7	-	-	-
9	Glukoza Production	1	896.3	192.0	896.3	-	100%	-
10	Rome Animation & Film Studio	2	530.2	109.4	265.1	-	50%	-

Sources: Russian Film Business Today Magazine, Booker's Bulletin comScore, RCFA, Nevafilm Research, kinopoisk.ru, National Film Registry

The leading producer of documentary films shown in cinemas is Leonid Parfyonov, a famous television producer and, as of recently, also a blogger: within the last five years, three of his documentary films have entered distribution *(the Russian Jews trilogy)*. Only five studios released more than one film for distribution in the CIS.

Key Russian documentary studios by number of films released, 2013–2017

Rank	Studio	2013	2014	2015	2016	2017	Total releases during 5-year period	Proportion of films made with the participation of TV channels	Proportion of films made with Cinema Fund support	Proportion of films made with Ministry of Culture support
1	Leonid Parfyonov (independent producer)	-	-	-	1	2	3	-	-	-
2	TVINDIE Film Production	-	-	-	1	1	2	-	-	-
3	Roman Liberov (independent producer)	1	-	1	-	-	2	-	-	-
4	Ostrov Studio	-	-	-	1	1	2	50%	-	-
5	Gorky Film Studio	-	-	1	-	1	2	-	-	-

Sources: Russian Film Business Today Magazine, Booker's Bulletin comScore, RCFA, Nevafilm Research, kinopoisk.ru, National Film Registry

Key Russian documentary studios by admissions in the CIS, 01/01/2013 to 30/06/2018 (2013–2017 releases)

Rank	Studio	Total releases during 5-year period	Admissions (thousands)	Box-office returns (RUB thousands)	Average admissions per film (thousands)	Proportion of films made with the participation of TV channels	Proportion of films made with Cinema Fund support	Proportion of films made with Ministry of Culture support
1	Leonid Parfyonov (independent producer)	3	27.9	8,896.3	9.3	-	-	-
2	Kosmosfilm/Iandovka Productions	1	25.4	6,273.8	25.4	-	-	-
3	TVINDIE Film Production	2	16.3	5,004.7	8.2	-	-	-
4	Vertov Studio	1	10.7	3,243.8	10.7	100%	-	100%
5	Roman Liberov (independent producer)	2	10.3	2,349.6	5.2	-	-	-

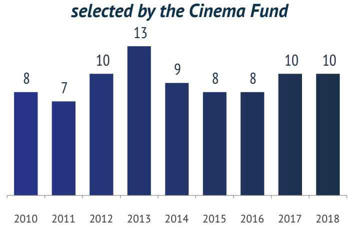
Sources: Russian Film Business Today Magazine, Booker's Bulletin comScore, RCFA, Nevafilm Research, kinopoisk.ru, National Film Registry

Leonid Parfyonov's films have attracted the largest audiences, at around 28,000. The most successful single documentary film in distribution during the period under review was *I Don't Believe in Anarchy* (dir. Natalya Chumakova, Anna Tsirlina), produced by Kosmosfilm and Iandovka Productions, which was seen by over 25,000 people.

1.6. The role of leading Russian film production studios

In order to achieve its aims, every year, the Cinema Fund selects a group of what it calls 'leaders of Russian film production', whom it then prioritises for large amounts of funding. In the nine years the Cinema Fund has been operating, a total of 15 companies have been selected as leading producers. The annual number of leaders has varied from seven (in 2011) to 13 (in 2013).

Number of leading Russian film production studios selected by the Cinema Fund



Source: Cinema Fund

The criteria for the selection of leaders of Russian film production were established in 2010 by governmental decree and have since been revised several times, as have the conditions for the financing of companies.[1] In compiling the rankings of producers for 2018, the following criteria were taken into account (most over a period of five years):

- attendance at films distributed in Russia;
- ratings of televised films;
- attendance at films distributed abroad;
- participation in and awards received at four international film festivals (Moscow, Cannes, Berlin, and Venice);
- prizes and nominations for Best Feature Film in Russia (Nika Award and Golden Eagle) and in the world (Oscar for Best Foreign Language Film);
- duration of the company's operation;
- number of films (feature and animated) released for cinema distribution in Russia in the last ten years.

All film producers receive support for each individual film on the basis of an assessment carried out by a working group and a council of experts, who evaluate the film taking into account the results of public pitches and the subsequent popularity ranking of each film. Their decision is then confirmed by the Cinema Fund's Board of Trustees[2]. The competition for funding is opened to leading studios first, and only then to other organizations.

In 2018, ten studios were chosen as leaders of Russian film production. Six of them make this list every year.

In terms of the number of films they produce, the role of leaders of the Russian film industry is not particularly significant: only 26% of films screened between 2013 and 2017 were made with the participation of one of the 15 studios which have been included in the list of leaders at least once. However, the box-office returns from these films make up an impressive 74% of total returns, which demonstrates the influence of leaders on the market. Interestingly, the leading studios release more than half of Russia's feature-length animated films.

[1] *For more detail, see The Film Industry in the Russian Federation, 2014 – https://rm.coe.int/0900001680783dd9; Film Production and Co-Production in Russia: The Export of Russian Films Abroad, 2016 https://rm.coe.int/ru-film-production-and-co-production-in-russia-and-the-export-of-russi/168078353d}; and Chapter 4. LAWMAKING IN THE FILM INDUSTRY*
[2] *In late August 2018, the government published a new Cinema Fund charter, giving the Ministry of Culture greater control over the Fund. See Chapter 4. LAWMAKING IN THE FILM INDUSTRY.*

Domestic film industry leaders by year

№	Names of leading companies	2014	2015	2016	2017	2018	Number of years in the list of leaders
1	*Art Pictures Studio*	x	x	x	x	x	9
2	*Central Partnership*				x	x	9
3	*CTB*	x	x	x	x	x	9
4	*Direktsiya Kino*						9
5	*Enjoy Movies*	x	x	x	x	x	5
6	*Igor Tolstunov's Production Company*						6
7	*Interfest (Real-Dakota)*						2
8	*Koktebel*	x	x	x	x	x	1
9	*Nikita Mikhalkov's Studio TRITE*	x			x	x	9
10	*Non-Stop Production*						7
11	*Rekun Cinema*	x	x	x	x	x	2
12	*Rock Films*	x	x	x	x	x	3
13	*Strela Film Company*					x	1
14	*TaBBaK (Bazelevs)*	x	x	x	x	x	9
15	*Yellow, Black and White Group*	x	x	x	x		2
	Total number of companies	9	8	8	10	10	

Source: Cinema Fund

The most successful studio overall in the period under consideration was Timur Bekmambetov's: films by TaBBak (Bazelevs) were seen by over 30 million people across the CIS. In second place was Sergey Selyanov's CTB with 27 million, and third was Nikita Mikhalkov's Studio TRITE with audiences of 23 million in the period from 2013 to the middle of 2018. At the bottom of the list is Roman Borisevich's company Koktebel.

If we consider the average viewing figures for a single film, the most popular films are by Studio TRITE and Direktsiya Kino, seen by over three million people on average.

Results of distribution in the CIS for companies included in the list of leading producers at least once*
(released 2013-2017; results for the period from 01.01.2013 to 30.06.2018)

Rank	Studio	Number of films	including feature-length animated films	Attendance (thousands)	Box-office returns (millions of roubles)	Average attendance per film (thousands)
1	*TaBBaK (Bazelevs)*	18	3	30,739.1	7,324.6	1,707.7
2	*CTB*	25	11	27,300.4	6,132.1	1,092.0
3	*Nikita Mikhalkov's Studio TRITE*	6	-	23,353.1	5,764.7	3,892.2
4	*Art Pictures Studio*	17	2	19,618.8	4,963.0	1,154.0
5	*Yellow, Black and White Group*	11	-	17,789.6	4,134.4	1,617.2
6	*Enjoy Movies*	27	-	16,588.0	3,870.5	614.4
7	*Non-Stop Production*	8	-	9,665.5	2,560.2	1,208.2
8	*Direktsiya Kino*	2	-	6,674.4	1,714.2	3,337.2
9	*Central Partnership*	7	1	4,714.2	1,078.0	673.5
10	*Igor Tolstunov's Production Company*	5	-	3,092.8	722.0	618.6
11	*Rock Films*	7	-	2,289.3	575.2	327.0
12	*Strela Film Company*	2	-	1,697.3	491.3	848.6
13	*Interfest (Real-Dakota)*	8	-	1,385.4	311.5	173.2
14	*Rekun Cinema*	1	-	990.6	234.1	990.6
15	*Koktebel*	2	-	20.6	5.2	10.3
	Total for all studios	143	17	158,122.7	37,770.1	1,105.8
	Market share of Russian films	26%	52%	74%	74%	-

** in cases of co-production, the results are attributed to each participating company in full*

Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, kinopoisk.ru, National Film Registry

The most successful film produced by leaders of the Russian film industry was *Three Seconds* (which is in fact the overall top-grossing modern Russian film); it accounted for over half of Studio TRITE's audience for the period under consideration. The results of most companies were also based largely on the success of a single film. Among the leaders selected in 2018, this applied particularly to Rock Films, Direktsiya Kino, and Non-Stop Production (over 60% from a single film).

Most successful films distributed in the CIS from 2013 to 2017 from companies included in the list of leading film producers at least once (takings up to 30.06.2018)*

Rank	Names of leading companies	Title of film	Attendance (thousands)	Box-office returns (millions of roubles)	Attendance at a leading film as a percentage of the total attendance at all the studio's films
1	*Nikita Mikhalkov's Studio TRITE*	*Three Seconds*	*12,441.7*	*3,043.5*	*53%*
2	*Yellow, Black and White Group*	*Posledny bogatyr (The Last Warrior)*	*7,784.7*	*1,732.6*	*44%*
3	*Art Pictures Studio*	*Stalingrad*	*6,204.2*	*1,700.7*	*32%*
4	*Non-Stop Production*	*Stalingrad*	*6,204.2*	*1,700.7*	*64%*
5	*Direktsiya Kino*	*Viking*	*5,833.9*	*1,531.9*	*87%*
6	*TaBBaK (Bazelevs)*	*Yolki 3*	*5,584.7*	*1,302.6*	*18%*
7	*CTB*	*Three Heroes and the King of the Sea*	*3,995.8*	*861.2*	*15%*
8	*Central Partnership*	*Furious*	*2,485.5*	*606.6*	*53%*
9	*Rock Films*	*Mathilde*	*2,109.9*	*537.4*	*92%*
10	*Igor Tolstunov's Production Company*	*Metro*	*1,593.4*	*364.9*	*52%*
11	*Enjoy Movies*	*Chto tvoryat muzhchiny! (The Things Men Do!)*	*1,396.9*	*304.7*	*8%*
12	*Interfest (Real-Dakota)*	*The Dawns Here Are Quiet*	*1,169.3*	*262.7*	*84%*
13	*Strela Film Company*	*Den vyborov 2 (Election Day 2)*	*1,095.9*	*315.1*	*65%*
14	*Rekun Cinema*	*Bolshoy*	*990.6*	*234.1*	*100%*
15	*Koktebel*	*Rag Union*	*15.3*	*3.9*	*74%*

* *in cases of co-production, the results are attributed to each participating company in full*

Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, kinopoisk.ru, National Film Registry

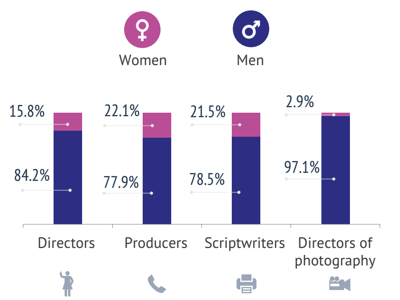
1.7. Gender balance in key film crew positions in Russia

Gender equality is one of the most prominent issues in the contemporary world, and the film industry is no exception. In Russia, however, a study of gender balance in the film industry has not yet been undertaken. We carried out an analysis of every film released in Russia that was produced with Russian participation (including documentary and animated films, but excluding collections of short films). For each film, information was gathered on the names of employees in four positions: producer, director, scriptwriter, and director of photography[1]. The proportion of employees of each gender in these positions was then calculated for each film, and each film was placed into one of two categories: female-dominated (50% or more women in these positions) and male-dominated (fewer than 50% women in these positions).

The results of the research show that men dominated in key positions in the Russian film industry in the period examined. The smallest proportion of women worked as directors of photography (less than 3%), with the second-smallest proportion of women taking on the role of director (16%); the largest proportions of women worked as scriptwriters (21%) and producers (22%).

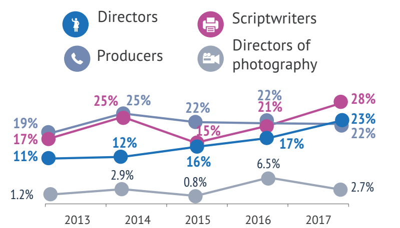
[1]*Information on participants in the film production process in the positions researched was found for the following numbers of films released in Russia between 2013 and 2017: directors – 602 films, producers – 567 films, scriptwriters – 561 films, and directors of photography – 546 films. A total of 613 films were analysed.*

Gender balance in key film crew positions in Russian films



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, kinopoisk.ru

Trends in the proportion of women in key film crew positions



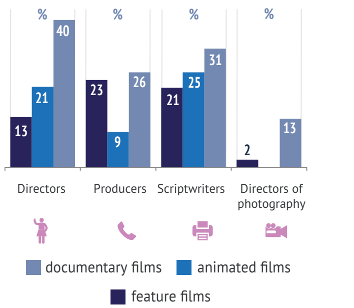
Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, kinopoisk.ru

We also analysed the percentage of women in each of the key positions over the 2013–2017 period. Only with respect to directors is the trend positive: the number of films directed by women grew from 11–12% to 23% over the period studied. In the case of the remaining three specialities, the proportion of women filling the role fluctuated considerably, making it impossible to identify any hints of a change to the male-dominated status quo.

As far as film genres are concerned, it was documentary films that had the most women in key roles.[1] It should also be noted that the positive trend in the number of female directors is largely attributable to feature films, where the proportion of female directors is growing most noticeably.

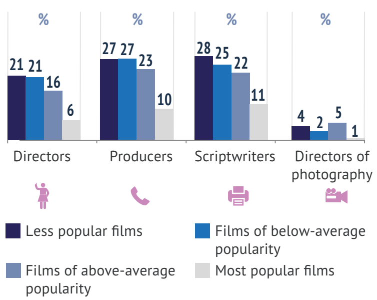
Finally, it is interesting to note the correlation between the proportion of women playing leading roles in the production of a film and its popularity (in the case of a lack of data on film budgets, the number of tickets sold can be used to assess the scale of the project)[2]. Research revealed that fewer women participated in the creation of the most popular films: 3.5 times fewer films with female directors fell in the first quartile than in the fourth quartile (6% compared to 21%), and there were

The proportion of women in key film crew positions in Russian films released in the period 2013–2017



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, kinopoisk.ru

The proportion of women in key film crew positions in Russian films released in the period 2013–2017, by film popularity



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, kinopoisk.ru

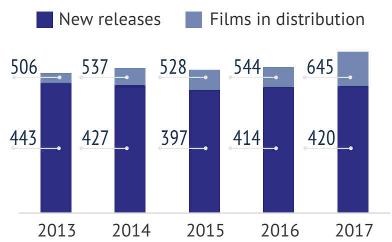
[1] Directors of photography for animated films are not included in this analysis.
[2] Films are grouped by quartile; as the number of films for which the name (and gender) of the professionals filling each role is known varies, the quartile boundaries also vary, but on the whole we can speak in terms of the most popular films (the upper quartile), the middle quartiles (median +/-25% viewers), and the less popular films (the lower quartile). Attendance data were available for 552 films out of 613. If the number of tickets sold was unknown, the film was considered to be in the "less popular" category.

more than 2.5 times fewer films with female scriptwriters and producers in the first quartile than there were in the fourth (11% compared to 28% and 10% compared to 27% respectively). Only the proportion of female directors of photography remained constant between films of different scales, at below 5%.

Chapter 2. FILM DISTRIBUTION

2.1. Number of films in Russian distribution

Number of films in distribution in Russia (excluding event cinema)



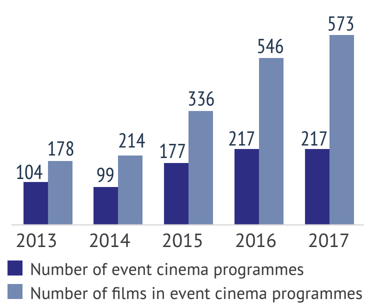
Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

Every year, Russian cinemagoers have access to more than 500 mass-market films (not including event cinema[1] shown on limited release, often as part of themed film festivals). The number of new releases per year is consistently more than 400. Interestingly, 2017 was a record year: cinemas showed almost 650 films, of which 420 were new.

Generally speaking, there was a sudden increase in releases after the transition to digital cinema exhibition, and many new companies appeared as a result of the reduced costs of entering this market and the simplification of all the logistical processes involved. Regional filmmakers began to spring up across various regions and republics of the Russian Federation. Local films are now increasingly appearing in cinemas in DCP format, the industry standard – and are attracting audiences. These processes reached their peak in 2013, when there were 443 new releases in the country. For comparison, between 280 and 350 films were released per year from 2004 to 2011. After 2013, a slump began, triggered by several factors.

Firstly, the most recent economic crisis and the weakness of the rouble made foreign content harder to purchase. Secondly, distributors who had been attracted by the reduced expense associated with distributing films in digital format found they did not have the finances for advertising; their films failed, part of a wave of works which did not reach audiences. Takings from independent films decreased, which led to the bankruptcy and withdrawal from the market of a number of companies, including some long-standing Russian film distributors (see 2.4. Players in the film distribution market).

Number of event cinema releases in Russia (programmes and their composition)



Sources: Russian Film Business Today Magazine, Booker's Bulletin,comScore, RCFA, Nevafilm Research

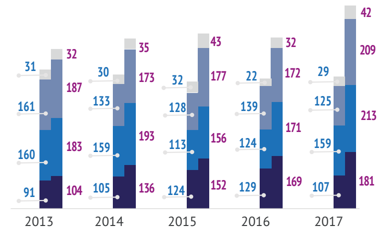
Several years passed before the situation changed: from 2015, the strategy of distributing independent films in the format of a one-off event showing, rather than normal distribution, became more

[1] This includes concerts shown in cinemas; broadcasts of theatre, opera, and ballet productions; documentaries, including screenings of exhibitions and scientific and educational films (including IMAX films); collections of short feature films and animated films; and episodes of television shows, as well as special screenings of films produced in previous years, retrospectives, themed festivals in specific cinema chains, etc. Because such programmes often do not have distribution certificates, it is not possible to exhaustively track all their showings and box-office results. For this reason, we do not consider them in our analysis of the market as a whole. However, this study does consider two specific subsets of event cinema: documentary films and collections of short live-action films and animated films (see 2.3. Genres of films in distribution in Russia). Similar constraints apply for regional films, but as this research deals with the entirety of Russian film production, we cannot exclude them from consideration.

popular. Nevafilm Research considers these projects to count as creative content: whereas in 2013–2014, around 100 new film programmes of this type were distributed, there were 217 programmes in both 2016 and 2017, showing over 500 films. This means that creative content programmes are now responsible for bringing over half of all Russian films to audiences.

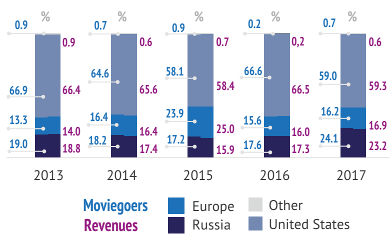
2.2. The countries of origin of films in distribution in Russia

New releases and films in distribution by country of origin (excluding event cinema)



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, LUMIERE, kinopoisk.ru

Share of viewers and box-office returns by country of origin (excluding event cinema)



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, LUMIERE, kinopoisk.ru

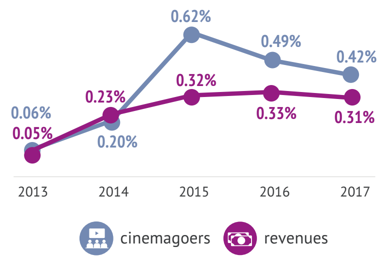
We used the European Audiovisual Observatory's LUMIERE database to determine a film's country of origin. If a film did not appear there, the website kinopoisk.ru was used instead. We established a film's region of origin using the following decision tree: if one of the countries participating in its production was Russian, the film is considered Russian; if the production involved at least one European country (not including Russia), the film is European; if a film was produced in the US without the involvement of any European countries or Russia, it is a US film. Otherwise it is labelled as "other".

In 2017, domestic films attracted record audiences (over 50 million people) and enjoyed record box-office returns (RUB 12 billion), acquiring 24% of the market in terms of number of tickets sold and 23% of box-office returns. The best year for European cinema at the Russian box office was 2015, with films produced in Europe earning almost RUB 11 billion and attracting more than 41 million viewers (24% and 23% of the market, respectively). Nevertheless, US films remain the leaders in Russian film distribution. Other countries (outside of Russia, Europe, and the US) have less than a 1% share of the Russian film market, despite the fact that 30–40 films produced by them are shown every year.

2.3. Genres of films in distribution in Russia

Live-action feature films and animated feature films are among the genres shown in wide release in Russia, while short film collections and documentary films tend to only occasionally be screened in cinemas, either during film festivals or special screenings, or as part of the repertoire of specialised or experimental platforms. (There are some exceptions, however. For instance, episodes of the new Russian cartoon series by *Mult v kino (Cartoons at the Cinema)* are shown fortnightly in relatively wide release. For the purposes of this analysis, we will consider the episodes released over a year

Attendance figures and box-office returns of documentary films and short film collections as a percentage of the figures for films on wide releasecinemagoersrevenues

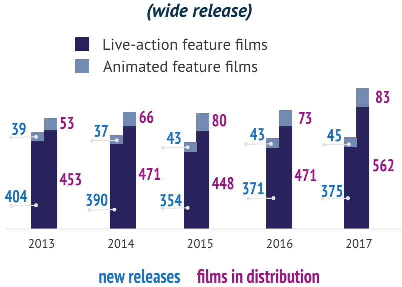


Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

as a single unit. The same approach is applied to the Kinodetstvo [Children's Cinema] collections.) We class these types of screenings as event cinema. The ratio of attendance figures and box-office returns of films in wide release, on the one hand, to those of the types of event cinema under consideration, on the other, demonstrates that the latter enjoy an extremely small market share (less than 1%). We therefore consider these two segments separately.

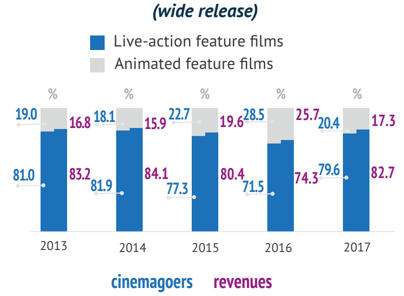
Animated feature films traditionally play a significant role in Russian distribution. Every year, around 40 new films of this genre are released in cinemas, and they draw between 16% and 29% of all cinemagoers in any given year (2016 was a particularly good year for feature-length cartoons, mostly thanks to the hit films *Zootopia* and *The Secret Life of Pets,* which grossed over RUB 2 billion in Russia). The most successful animated films of 2017 were *Despicable Me 3* and *The Boss Baby,* which grossed over RUB 1.4 billion.

New releases and films in distribution by genre (wide release)



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

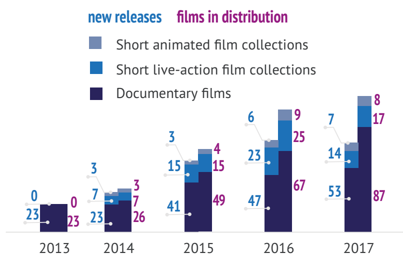
Audience share and box-office returns by genre (wide release)



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

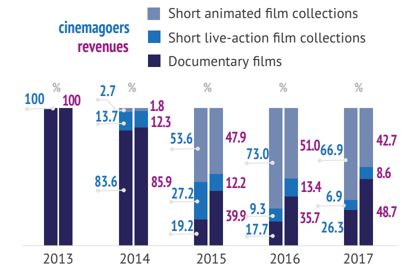
Documentary films have traditionally been among the main genres represented in the event cinema segment with which this analysis is concerned. Short film collections only began to make headway in cinemas from 2014. Live-action films came first (Utopia Pictures were the pioneers here, but ceased trading in 2018), then 2015 saw the launch of what remains the most successful short cartoon project in Russia, *Mult v kino (Cartoons at the Cinema). Mult v kino (Cartoons at the Cinema)* releases more than 20 episodes a year and attracts the lion's share of audiences, although it actually accounts for less than half of the overall box-office returns of the event cinema segment under review: the cost of tickets for these screenings, which last around 40 minutes, is considerably lower than the average market price. It should be noted that the project distributor, MVK, part of the media holding The Russian State Television and Radio Broadcasting Company, later diversified its activities and began to distribute documentaries and live-action feature films.

New releases and films in distribution by genre (event cinema)



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

Audience share and box-office returns by genre (event cinema)



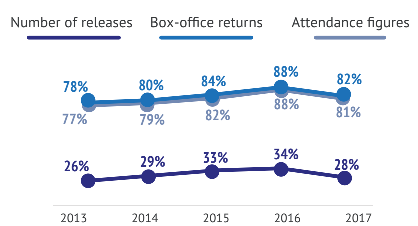
Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

2.4. Players in the film distribution market

The main players in the Russian film distribution market are representatives of major film studios, each of which enjoys a share of at least 10% of total audience figures and box-office returns in the countries of the CIS:

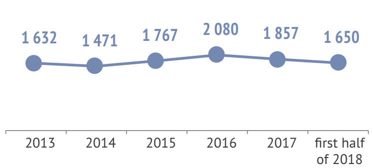
- WDSSPR – Sony/Columbia and Disney
- UPI – Universal
- 20th Century Fox CIS – 20th Century Fox
- Central Partnership – Paramount
- Caro Premier – Warner Bros

The share of representatives of major studios in Russian distribution



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

The Herfindahl-Hirschman Index in Russian distribution



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

Together, representatives of the major distributors are responsible for about a third of all new releases in a year and over 80% of cinema audiences and box-office returns.

This points to fairly high levels of concentration of film distribution on the Russian market. Russia's rating on the Herfindahl-Hirschman Index[1] fluctuates between 1,500 and 2,000 points. A rating of over 1,800 suggests a very high degree of monopolization of the market. Russia reached that level in 2016, after which competition again began to increase a little.

Some official representatives of Russian studios also make the list of the top ten market players: Bazelevs (TaBBaK), Caroprokat (Caro Production), and Nashe Kino (CTB and Igor Tolstunov's Production Company).

[1] The Herfindahl-Hirschman Index is calculated by squaring the market share of each firm in the sector and then summing the results. The maximum possible score is 10,000, when 100% of the market is controlled by a single company.

Other distributors work mostly with independent films. The leaders in this segment are Volga, Paradise, and Megogo Distribution.

Top 20 distributors in 2017*

Rank	Company	Number of films	Number of releases	Attendance (thousands)	Box-office returns (RUB million)	Share by attendance	Share by box-office returns
1	*WDSSPR*	*53*	*30*	*61,459.9*	*15,839.2*	*29.3%*	*30.0%*
2	*Central Partnership*	*52*	*36*	*29,649.7*	*7,566.1*	*14.1%*	*14.3%*
3	*UPI*	*29*	*15*	*30,168.5*	*7,428.3*	*14.4%*	*14.1%*
4	*20th Century Fox CIS*	*35*	*19*	*28,405.9*	*7,207.8*	*13.5%*	*13.7%*
5	*Caro Premier*	*22*	*14*	*21,134.4*	*5,463.9*	*10.1%*	*10.4%*
6	*Caroprokat*	*20*	*13*	*10,172.7*	*2,342.2*	*4.9%*	*4.4%*
7	*Nashe Kino*	*22*	*11*	*8,995.3*	*2,182.9*	*4.3%*	*4.1%*
8	*Bazelevs*	*5*	*2*	*5,484.5*	*1,342.6*	*2.6%*	*2.5%*
9	*VolgaFilm*	*34*	*25*	*5,104.3*	*1,094.8*	*2.4%*	*2.1%*
10	*Paradise*	*35*	*26*	*3,104.0*	*762.1*	*1.5%*	*1.4%*
11	*Megogo Distribution*	*24*	*21*	*3,075.7*	*758.3*	*1.5%*	*1.4%*
12	*Exponenta*	*28*	*23*	*1,750.0*	*440.2*	*0.8%*	*0.8%*
13	*Cinema Prestige*	*31*	*18*	*468.9*	*135.6*	*0.2%*	*0.3%*
14	*PROvzglyad*	*13*	*10*	*454.7*	*125.7*	*0.2%*	*0.2%*
15	*MVK*	*7*	*6*	*450.0*	*108.5*	*0.2%*	*0.2%*
16	*Luxor*	*23*	*12*	*494.8*	*105.2*	*0.2%*	*0.2%*
17	*Raketa Film*	*15*	*10*	*187.9*	*77.1*	*0.1%*	*0.1%*
18	*Capella Film*	*22*	*15*	*243.3*	*71.4*	*0.1%*	*0.1%*
19	*A-One Films*	*9*	*6*	*242.6*	*69.8*	*0.1%*	*0.1%*
20	*Russian World Vision*	*15*	*12*	*115.1*	*34.0*	*0.1%*	*0.1%*

* in cases where a film was jointly distributed by two distributors, the figures attributed to each company for films in distribution and box-office returns are the total figures, as no information is available regarding each company's individual contribution.

Sources: RCFA, comScore, Nevafilm Research

In recent years, many representatives of leading film studios in Russia have been working with major Russian releases. WDSSPR is particularly active in this respect. In 2017, the company distributed 12 Russian films, including *Posledny bogatyr (The Last Warrior),* jointly produced by Yellow, Black and White, Kinoslovo, and Walt Disney Pictures, which was the second-highest-grossing film of the year. WDSSPR also distributed other films in a variety of genres, such as *Attraction, Bolshoy, Pro lyubov: Tolko dlya vzroslykh (About Love: For Adults Only), Loveless, Myths, Ray (Paradise), Kholodnoe tango (Cold Tango), Zhgi! (Burn!), The Duelist, Khoroshy malchik (The Good Boy),* and *Collector* (the company has repeatedly collaborated with Alexander Rodnyansky's company Non-Stop Production and Fedor Bondarchuk's Art Pictures Studio).

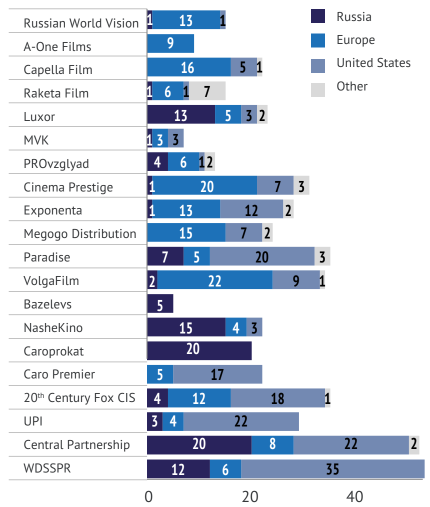
UPI have distributed three Russian films in Russia: *The Snow Queen 3: Fire and Ice, Panfilov's 28,* and *Kikoriki: Legend of the Golden Dragon.*

In 2017, 20th Century Fox CIS distributed *Ded moroz: Bitva magov (Santa Claus: Battle of the Magi), Dizlayk (Unlike),* and *The Queen of Spades*. However, note that these were all 2016 releases, and 2017 saw only one new project, the Russian–Kazakhstani film *Ona* by Akan Satayev, which the studio distributed across the CIS.

Central Partnership works particularly productively with Russian content. The company may represent Paramount, but it is also (and perhaps more importantly) a consistent leader in Russian film production and a major independent distributor which became the exclusive representative of Lionsgate and Summit Entertainment in 2016. Its portfolio includes record-breaking box-office hits produced in Russia, such as *Viking, Three Seconds, Furious,* and the earlier *Flight Crew*. Central Partnership consistently collaborates not only with its own production centre, but also with the studios TRITE and Direktsiya Kino.

Caro Holdings, which represents the interests of Warner Bros. as the company Caro Premier, distributes Russian films under the brand name Caroprokat. In 2017, its highest-grossing films were *Mathilde, The Fixies: Top Secret, Gogol: Nachalo (Gogol: The Beginning), Babushka legkogo povedeniya (A Granny of Loose Morals), The Guardians,* and *The Bride*. The company collaborates with many studios across the Russian Federation, including Enjoy Movies and Rock Films.

Top 20 Russian distributors by number of films of various countries of origin in distribution in 2017



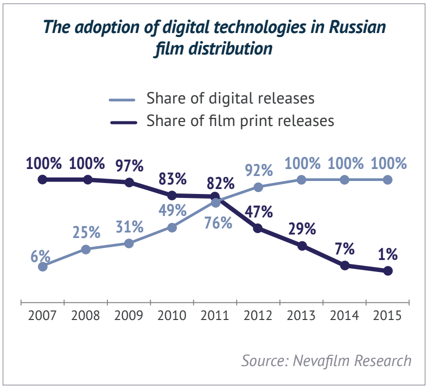
Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, LUMIERE, kinopoisk.ru

Various independent distributors work with European films. Some of the most active are Volga, Megogo Distribution, Cinema Prestige, Capella Film, A-One Films, and Russian World Vision. Paradise prefers American content, and Exponenta's portfolio includes a balance of European and American films. Only one top 20 distributor, Raketa Film, offers predominantly films from countries outside Russia, Europe, and the United States.

Overall, we are witnessing a protracted crisis of independent distribution on the Russian market. Following the transition to digital exhibition technologies in 2010, the barrier to entry into the film distribution market was lowered, and the number of companies on the market increased from 30–35 to 40–50. However, from 2014, this number began to fall. In 2016, the deepening crisis affecting independent cinema prompted Russian distributors to look for help from the Council of Europe. Russian companies swamped the Eurimages fund with an unprecedented number of claims for compensation of up to 50% of the cost of advertising and marketing European films. Every one of these claims was successful. Still, in recent years, many companies that were part of the old guard of Russian independent distribution have closed down, including West, the Carmen group, Cinema Without Frontiers, and RUSCICO, while Top Film Distribution went bankrupt and became Megogo Distribution in 2016. The same goes for relatively recent entrants to the market, who benefitted from the introduction of digital technologies: 25th Floor Film, All Media, ANT!PODE, DreamTeam, Magnum Pictures, P&I Films, Project Manometer, Reanimedia, UMS Film, Utopia Pictures, Arthouse (which succeeded Cinema Without Frontiers), Grani Kino, Kinographia, Red Hood Films, Magnetic Lab, and others. Both planned laws and laws which have already been adopted are tightening restrictions on film distribution and may further negatively impact the availability of independent cinema, both Russian and foreign, on Russian screens (see 2.7. Measures to support the distribution of domestic films and Chapter 4. LAWMAKING IN THE FILM INDUSTRY).

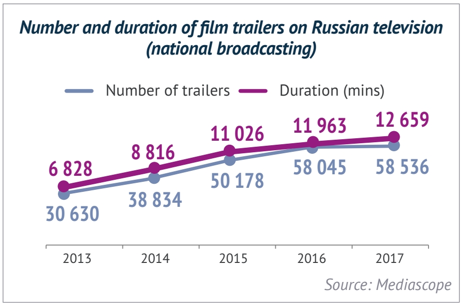
2.5. Film advertising on television

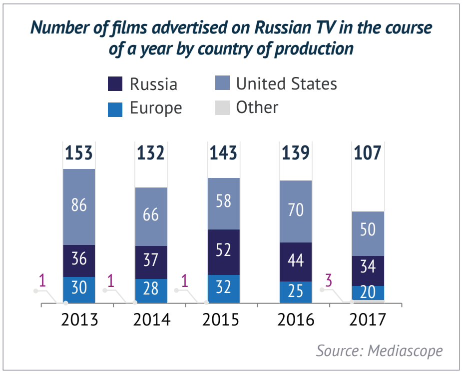
The adoption of digital technologies in Russian distribution has resulted not only in lower barriers for those wishing to enter the industry, but also in the release of funds which distributors were previously obliged to spend on printing copies of films. This process came to an end in 2015, but all films were already being distributed in digital format in 2013.



Unsurprisingly, the funds previously spent on distribution were used instead to advertise films: according to Mediascope, between 2013 and 2017, the number of trailers across 31 channels (data collected from national broadcasting) for films entering distribution increased by 90%, as did the average duration of the trailers shown.

An analysis of advertising for particular films reveals that, in 2013, the largest number of trailers were shown for the films *Legend No. 17* (800 trailers with a total duration of 171 minutes) and *The Lone Ranger* (780 trailers, 228 minutes), whereas in 2017 the leaders were *Transformers: The Last Knight* (4,295 trailers, 936 minutes), *Star Wars: The Last Jedi* (4,156 trailers, 1,164 minutes), *Posledny bogatyr (The Last Warrior)* (3,234 trailers, 953 minutes), and *Gogol: Nachalo (Gogol: The Beginning)* (2,886 trailers, 468 minutes). This means that five times more adverts were shown for the most advertised films in 2017 than in 2013!



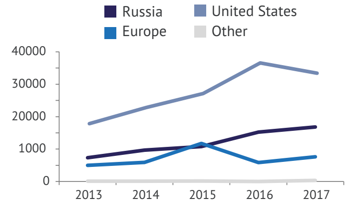


At the same time, the number of films being advertised has decreased by a third (from 153 in 2013 to 107 in 2017), which suggests that only major releases are receiving advertising support on television.

Films produced in the US have the most trailers. The number of trailers for American films grew particularly rapidly in 2016 before falling again in 2017. By contrast, European films reduced their level of advertising activity in 2016, as did distributors of films produced in other countries, who did not advertise on television at all in 2016. The noticeable increase in spending on advertising by Russian film producers could go a long way to explaining the increasing success of domestic films in distribution.

The key advertisers in Russia are representatives of major Hollywood studios and related companies (as in the case of the Caro holding company: Caroprokat far outstrips UPI when it comes to the number of trailers shown). It should be noted that it is often producers in receipt of state support, which can be used for promoting films, who advertise Russian films on TV.

Number of film trailers shown on Russian television annually by film's country of origin



Sources: Mediascope, Nevafilm Research, European Audiovisual Observatory

The top 15 Russian distributors for the number of trailers for their films on television channels (national broadcasting), 2013–2017

No.	Distributor	2013	2014	2015	2016	2017	Total
1	WDSSPR	1,665	1,568	3,307	2,883	4,835	14,258
2	Central Partnership	1,559	2,941	1,923	3,582	2,762	12,768
3	20th Century Fox CIS	1,046	1,803	2,450	1,814	1,561	8,674
4	Caro Premier	816	948	1,472	1,279	902	5,418
5	Caroprokat	317	538	439	1,437	777	3,507
6	UPI	262	384	591	647	699	2,583
7	Bazelevs	281	152	333	138	573	1,477
8	VolgaFilm	156	181	337	84	45	804
9	A Company	354	321	19	–	–	694
10	Nashe kino	41	36	183	122	266	648
11	Paradise	130	39	42	68	154	433
12	West	188	47	3	–	–	238
13	Caravella DDC	224	–	–	–	–	224
14	Luxor	5	48	67	25	52	197
15	DreamTeam	20	168	–	–	–	188

Sources: Mediascope, Nevafilm Research

The top 15 Russian distributors for duration of trailers for their films (in minutes) on television channels (national broadcasting), 2013–2017

No.	Distributor	2013	2014	2015	2016	2017	Total
1	Central Partnership	6,285	12,162	8,941	17,004	13,644	58,036
2	WDSSPR	6,743	5862	13,188	12,453	18,692	56,938
3	20th Century Fox CIS	4,555	7,388	10,761	8,596	7,302	38,602
4	Caro Premier	3,601	4,666	7,131	6,413	4,578	26,389
5	Caroprokat	1,827	2,854	2,430	7,885	4,822	19,818
6	UPI	1,483	2,309	3,561	3,884	4,180	15,417
7	Bazelevs	1,342	878	1,507	806	2,572	7,105
8	VolgaFilm	882	1,062	1,602	501	296	4343
9	Nashe kino	184	205	917	574	1,471	3,351
10	A Company	1,394	1,427	78	–	–	2,899
11	Paradise	899	267	257	488	690	2,601
12	West	958	345	26	–	–	1,329
13	Luxor	21	264	393	151	219	1,048
14	Caravella DDC	1,040	–	–	–	–	1,040
15	Top Film Distribution / Megogo Distribution	497	329	18	90	105	1,039

Sources: Mediascope, Nevafilm Research

Film trailers are shown most often on the channels TNT, 2X2, Channel One, CTC, and Pyatnitsa. Between 2013 and 2017, the number of channels showing adverts for films in distribution grew from 18 to 30.

Also of interest is the fact that advertisers exhibit different preferences for channels depending on the country of origin of the film being advertised. For example, 2X2 is used far less often to advertise Russian films than Rossiya 1.

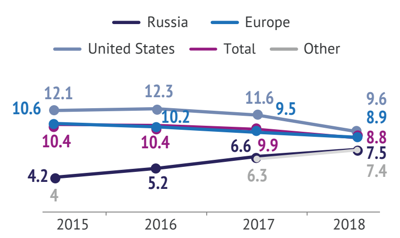
Finally, it is not only new cinema releases that have been advertised on television in recent years: in 2014–2015, Rostelecom and Digital Access, who operate Interactive TV and ivi.ru, showed adverts in the 'film' category across a number of channels, most often RU.TV and MUZ TV.

2.6. Trends in the length of release windows in Russia

According to the MAVISE database, as of 2018, there are 50 video-on-demand services available in Russia, including about ten services from telecoms operators, more than 30 OTT services (so-called 'online cinemas', including international giants Netflix and Amazon Prime), and two digital stores (Google Play and iTunes). 14 services specialize in films, 12 offer viewers feature films and series, two exclusively offer documentary films, and the others offer a variety of content, including films and serials as well as television programmes (catch-up and preview). According to J'son & Partners Consulting, the most popular of these are ivi.ru, Okko, Amediateka, Megogo, and TVzavr.

The quite developed status of the video-on-demand market demonstrates the existence of demand for content, and for premiere content in particular. A number of companies produce their own films, including Russian video-on-demand services like kinopoisk.ru and Start.ru. All services share a desire to acquire new films as soon as possible following their theatrical release. According to Booker's Bulletin, which has tracked the length of Russia's digital release windows since mid-2015, there has been a noticeable reduction in the release window this year: whereas in 2015 the window was 10.4 weeks on average, in 2018 it is 8.8 weeks.

Average release windows in Russia



Sources: Booker's Bulletin, Nevafilm Research

The longest release windows are for films produced in the USA, but they too have begun to rapidly decrease, from 12 weeks to 9.6 weeks. In second place are European films; the window there is also decreasing, from over 10 weeks to under 9 weeks. Russian films appear on video-on-demand services more quickly, in 7.5 weeks, but the window is lengthening: in 2015, it was four weeks. The reason for this may be that Russian films are shown in cinemas for longer, due partly to the state policy on the support of cinematography, in particular measures to regulate distribution dates to keep Russian films on cinema screens for longer.

2.7. Measures to support the distribution of domestic films

In recent years the Russian Ministry of Culture, in pursuing its objective of increasing the share of domestically produced films in distribution, has turned away from exclusively providing direct financial support and begun applying additional measures, including:

• regulating the release date of films;

• applying stricter age certification to foreign films whilst relaxing age certification for domestically produced films; and

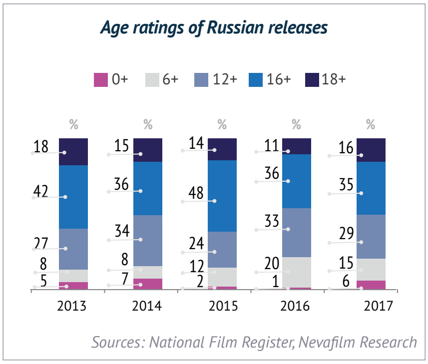
• imposing a soft quota system by subsiding the opening of cinemas which are obliged to ensure that at least 50% of the films they show each quarter in their first three years of operation are Russian.

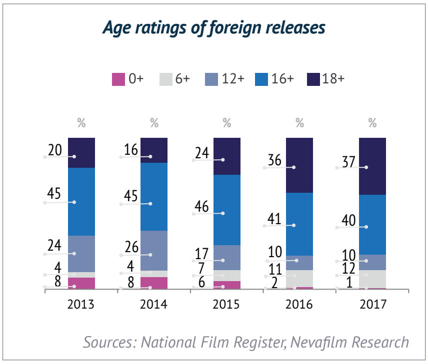
Government Resolution No. 143 dated 27 February 2016 dictates that a distribution licence (DL) should include the date on which the film will first be shown in cinemas (although in fact licences first began to include a section specifying this date in spring 2015, and the section had to be filled out for all films from the summer of 2015). The Russian Ministry of Culture retains the right to delay the release of a film, or to refuse to issue a DL to the applicant, if the release date of the film in question is the same as the release date of another film for which a DL has already been issued and which has a ‘similar target audience’ (i.e. a film with a similar theme, genre, or target audience). The parties concerned are expected to conduct negotiations as part of this procedure, but if no agreement is reached, the decision will be made by the Russian Ministry of Culture with the involvement of an expert council including industry representatives (this council only came into being in December 2016). Application of this measure is often insufficiently transparent, as experts only have advisory powers and the final decision is taken by Ministry of Culture officials; however, recently, more and more such cases have been receiving publicity.

In 2017, the procedure for regulating cinema release dates was applied to two domestically produced films about the Soviet conquest of space, which were intended for release on Cosmonautics Day on 22 April. Following the procedure, the expert council voted to maintain the designated release date in the case of CTB’s film, *Salyut-7* produced by Sergei Selyanov. However, the Russian Ministry of Culture made the decision to allow TaBBaK’s film *Spacewalk,* produced by Timur Bekmambetov, to be released on the same day. As a result, the release of *Salyut-7* was delayed until the autumn.

The winter of 2018 saw another high-profile incident involving children’s film *Paddington 2*. One day before the release date, which VolgaFilm had announced in good time, the Russian Ministry of Culture issued a DL for the film with a cinema release date two weeks later: in the middle of January, New Year’s hit *Three Seconds* (released 28 December 2018) was still enjoying box-office success, which officials were attempting to prolong. Not only was an advertising campaign for *Paddington 2* already in full swing, pre-sales of tickets had begun: the film already had a DL number and had been entered into the Unified Automated Information *System,* a federal system operated by the Cinema Fund which provides information about films shown in cinemas. On this occasion, however, a whole host of distributors came to the defence of the cartoon, including the Russian Association of Theatre Owners. As a result, the Ministry of Culture backed down and altered the DL, giving a release date that was only two days later than the one originally planned.

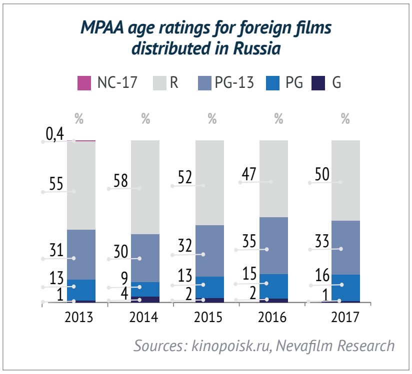
Age certification may be another way to favour domestic films. Since 2015 foreign films have fallen into the 16+ and 18+ categories far more frequently than their Russian counterparts: 77% of all foreign releases are recommended for viewing only by these older age groups. At the same time, nearly half of Russian releases are recommended by the Russian Ministry of Culture for viewing by younger age groups, which naturally affects the size of their potential audience.





In 2017, the issuing of classic Disney cartoon remake *Beauty and the Beast* with a 16+ rating provoked a public outcry. The MPAA (Motion Picture Association of America) had classified the film as a PG. The same MPAA rating was given to the animated films *Coco* and *Zootopia,* which the Ministry of Culture recommended for the 12+ and 6+ age groups respectively.

Analysis of general trends in MPAA age ratings for foreign films released in Russia shows that the percentage of films with the most extreme age restrictions (NC-17 and R: persons under 17 not admitted and persons under 17 admitted only if accompanied by an adult) fell slightly between 2013–2014 and 2015–2017 (from 55–58% to 47–52%), while the proportion of films rated PG (parental attendance recommended) and PG-13 (not recommended for children under 13) increased (from 9–13% and 30–31% to 13–16% and 32–35% respectively). However, there is no sign that American age ratings are becoming stricter, suggesting that the Russian Ministry of Culture is not objective when assigning ratings to foreign films.



The soft quota system is discussed in more detail below (see 3.5. The Cinema Fund of Russia's distributor support programme).

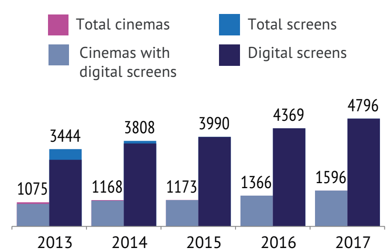
Chapter 3.
A DESCRIPTION OF FILM EXHIBITION

3.1. Cinema exhibition infrastructure

The infrastructure of cinema chains has been developing in recent years against the background of the most recent economic crisis, which hit Russia in 2014–2015, as well as the saturation of the main markets in large cities with screens. According to data gathered by Nevafilm Research, in 2013–2014 the number of screens increased by 11%, while in 2015 the growth rate halved and the market grew only by 4.8%. Rates in 2016 and 2017 were higher (9.5% and 9.8% respectively), but only thanks to government subsidies, which the Cinema Fund began providing from December 2015 for the opening of digital screens in small towns. Excluding these subsidized venues, the number of screens in Russia has grown in the last two years by 4.8% and 4.6% respectively. As of 1 January 2018, Russia had 1,596 cinemas and 4,795 screens, with the number of screens set to exceed 5,300 by the end of the year and the number of cinemas to approach 2,000.

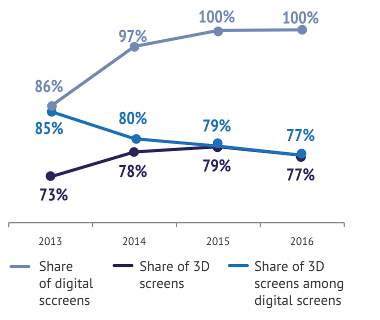
The country completed the transition to digital film exhibition technology in 2015. There are increasingly few 3D screens in Russia: if, at the beginning of the digital era, more than 90% of all converted screens had this function, the proportion of 3D screens has now fallen to less than 80%. Nonetheless, the proportion of 3D screens in Russia remains one of the highest in the world: in the absence of any noteworthy support from distributors (in the form of the VPF subsidy system, in which only certain large Russian cinema chains are involved) or the state (aside from reduced customs duties[1] and subsidies from the Cinema Fund, which were introduced after the end of the transition), cinemas have been obliged to use 3D surcharges to cover expenditure on new projectors. A recent fall in the popularity of 3D screenings, and in the numbers of people attending films in this format, meant that only 77% of screens in Russia were 3D by 2016 – a figure which remains unchanged in 2018.

Cinemas and screens in Russia



Source: Nevafilm Research

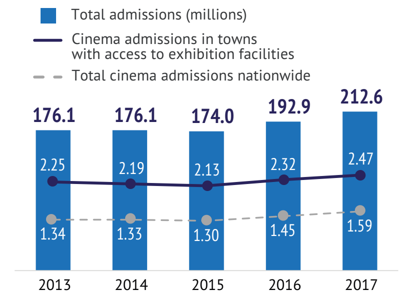
Trends in cinema digitalization in Russia



Source: Nevafilm Research

[1] *Introduced in Russia in 2011 by the Customs Union Commission (import duty on digital projectors was reduced from 15% to nothing). However, in 2018, these reductions were abolished in practice due to a review of the classification system for goods traded internationally.*

Cinema attendance (millions) and average admissions per capita in Russia



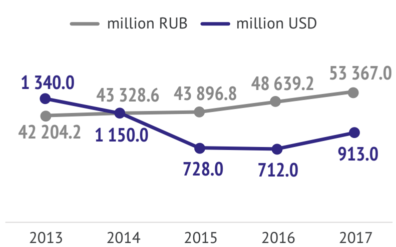
Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, Rosstat

3.2. Market volumes

The saturation of the Russian market is evidenced by the stagnation of Russian cinema attendance in the 2013–2015 period, at approximately 175 million admissions.[1] The 2016–2017 period, however, saw rapid growth of more than 10%, as a result of which 2017 marked a new record in the contemporary history of Russian film distribution: cinemas were visited by 212.6 million viewers, and Russia became the leading European country for cinema attendance, outstripping France for the first time. Each member of the population visited the cinema an average of 1.6 times, and each inhabitant of a town with at least one cinema visited it 2.5 times.

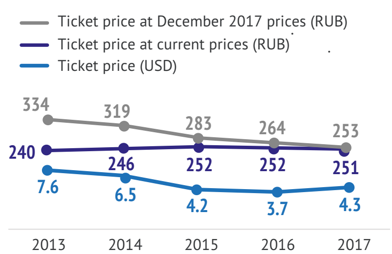
Box-office returns in roubles grew as modestly in the 2013–2015 period as admissions did, by 1–3%, due to a similar increase in the price of cinema tickets. However, the collapse of the rouble[2] during this period led to a sharp contraction in the Russian market in dollar equivalents: between 2013 and 2016, box-office returns almost halved, falling from USD 1.3 billion to USD 712 million. Not until 2017 did the data reveal that takings in dollar terms had finally started to rise again. Notably, the nominal price of cinema tickets in roubles stopped increasing in 2015–2016, and even fell in 2017; but if inflation is taken into account (in prices in December 2017), it becomes clear that prices have in fact been falling consistently, and have dropped by a quarter over the last five years (from RUB 334 to RUB 253).

Box-office takings in Russia



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, The European Audiovisual Observatory

Average ticket price in Russia



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, The European Audiovisual Observatory

3.3. Most popular films in distribution

To a great extent, market growth in 2016–2017 was the result of Russian distribution of strong releases, which were capable of attracting diverse audience

[1] The size of the Russian film distribution market is measured by Nevafilm Research on the basis of all available statistical data (publications in the magazines Russian Film Business Today and Booker's Bulletin, distribution company surveys, and the comScore and RCFA databases), excluding programmes of creative content and films produced in Russia's regions which are often distributed only within their own territory and those of adjoining regions or republics.

[2] If on 1 January 2014, one dollar cost RUB 32.66 according to the rate set by the Central Bank of Russia, on 1 January 2015 the figure was already RUB 56.24, and on 1 January 2016, it had reached RUB 72.93. Since then, the rouble has begun to recover: on 1 January 2017, a dollar was worth RUB 60.66, and by 1 January 2018, the corresponding figure was RUB 57.60. However, by 1 September 2018, the exchange rate was back to RUB 68.05 to the dollar.

segments to cinemas even in the midst of an economic crisis. If 2016 was a year in which no Russian projects made it into the top ten, 2017 saw the appearance of two hits at once: *Posledny bogatyr (The Last Warrior)* and *Viking*.

By comparison, the ten most popular films of 2013 included three Russian films *(Stalingrad, Legend No. 17,* and *Gorko!),* while in 2014–2015, the eighth and ninth most popular films were both produced in Russia: *Forbidden Kingdom* and *Tri bogatyrya: Khod konem (The Three Bogatyrs: The Horse's Turn).* It is worth noting that domestically produced films which make it into the top ten are, as a rule, made by leading studios which enjoy priority support from the Cinema Fund and able to afford large production and marketing budgets. In addition, these films are often distributed by representatives of major Hollywood studios, ensuring that they receive powerful advertising support and wide coverage.

Top ten films of 2013 in the CIS

No.	Name of film	Country of origin	Release date	Distributor	TV channel participation	Total screens	Total admissions (thousands)	Box-office returns (million RUB)
1	Stalingrad	RU	10 October 2013	WDSSPR	Rossiya 1	1,500	6,200.0	1,700.0
2	Despicable Me 2	US	15 August 2013	UPI	-	976*	5,418.0	1,159.8
3	Iron Man 3	US/RU	02 May 2013	WDSSPR	-	1,500	5,229.4	1,382.3
4	Fast & Furious 6	US	23 May 2013	UPI	-	917*	4,989.0	1,071.6
5	Thor 2: The Dark World	US	07 November 2013	WDSSPR	-	1,500	4,300.0	1,200.0
6	Legend No. 17	RU	18 April 2013	Central Partnership	Rossiya 1	1,400	4,200.0	923.0
7	The Croods	US	21 March 2013	20th Century Fox	-	2,166	4,200.0	876.4
8	Gorko!	RU	24 October 2013	Bazelevs	None	1,550	3,705.3	810.6
9	Monsters University	US	20 June 2013	WDSSPR	-	1,550	3,500.0	677.0
10	Frozen	US	12 December 2013	WDSSPR	-	1,472	3,442.4	792.7

* number of cinemas

Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, Nevafilm Research

Top ten films of 2014 in the CIS

No.	Name of film	Country of origin	Release date	Distributor	TV channel parti-cipation	Total screens	Total admissions (thousands)	Box-office returns (million RUB)
1	Transformers: Age of Extinction	US/RU	26 June 2014	Central Partnership	-	2,171	5,642.7	1,538.8
2	Maleficent	US	29 May 2014	WDSSPR	-	1,733	5,314.0	1,306.1
3	Guardians of the Galaxy	US	31 July 2014	WDSSPR	-	2,097	5,308.0	1,357.0
4	The Hobbit: The Battle of Five Armies	US / NZ [Inc]	11 December 2014	Caro Premier	-	2,390	4,865.5	1,449.7
5	How to Train Your Dragon 2	US	12 June 2014	20th Century Fox CIS	-	2,409	4,794.1	1,031.1
6	Teenage Mutant Ninja Turtles	US	07 August 2014	Central Partnership	-	1,817	4,579.7	1,051.0
7	Rio 2	US	20 March 2014	20th Century Fox CIS	-	2,478	4,458.0	966.3
8	Forbidden Kingdom	RU/DE/UA	30 January 2014	UPI	None	1 272*	4,444.7	1,200.3
9	Interstellar	US / GB	06 November 2014	Caro Premier	-	1,800	4,432.4	1,163.9
10	Noah	US	27 March 2014	Central Partnership	-	1,800	4,349.4	1,208.7

* number of cinemas

Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, Nevafilm Research

Top ten films of 2015 in Russia

No.	Name of film	Country of origin	Release date	Distributor	TV channel parti-cipation	Number of screenings	Total screens	Total admissions (thousands)	Box-office returns (million RUB)
1	Minions	US	09 July 2015	UPI	-	214,373	1 083*	7,509.1	1,672.3
2	Furious Seven	US / JP / CN	09 April 2015	UPI	-	165,437	1 061*	5,470.3	1,514.4
3	Avengers: Age of Ultron	US	23 April 2015	WDSSPR	-	176,322	2,421	5,394.8	1,547.5
4	Inside Out	US	18 June 2015	WDSSPR	-	139,391	1,785	4,573.5	981.9
5	Hotel Transylvania 2	US	22 October 2015	WDSSPR	-	120,160	1,636	4,512.2	1,018.1
6	Jurassic World	US/RU	11 June 2015	UPI	-	150,835	1 074*	4,448.6	1,217.4
7	Star Wars: The Force Awakens	US	17 December 2015	WDSSPR	-	132,188	2,996	3,969.3	1,277.1
8	The Martian	US / GB	08 October 2015	20th Century Fox CIS	-	115,786	2,004	3,918.8	1,103.4
9	Tri bogatyrya: Khod konem (Three Bogatyrs: The Horse's Turn)	RU	01 January 2015	Nashe Kino	None	92,632	1,817	3,870.1	924.8
10	Home	US	19 March 2015	20th Century Fox CIS	-	105,100	1,988	3,859.9	821.8

* number of cinemas

Sources: RCFA, Nevafilm Research

Top ten films of 2016 in Russia

No.	Name of film	Country of origin	Release date	Distributor	TV channel parti-cipation	Number of screenings	Number of cinemas	Total admissions (thousands)	Box-office returns (million RUB)
1	The Secret Life of Pets	US / JP	18 August 2016	UPI	-	282,741	1,173	8,699.5	1,992.4
2	Zootopia	US	3 March 2016	WDSSPR	-	212,351	1,025	8,434.4	2,078.3
3	Suicide Squad	US	4 August 2016	Caro Premier	-	198,714	1,047	6,133.6	1,588.3
4	Deadpool	US	11 February 2016	20th Century Fox CIS	-	153,100	1,001	6,107.3	1,610.0
5	Fantastic Beasts and Where to Find Them	GB[Inc] / US	17 November 2016	Caro Premier	-	186,474	1,152	5,083.9	1,398.1
6	Flight Crew	RU / KH	21 April 2016	Central Partnership	Rossiya 1	179,241	1,144	5,038.2	1,428.1
7	Warcraft	US	26 May 2016	UPI	-	161,290	1,106	4,793.7	1,322.6
8	The Jungle Book	US / GB	7 April 2016	WDSSPR	-	183,919	1,035	4,689.2	1,230.0
9	Doctor Strange	US	31 October 2017	WDSSPR	-	165,982	1,054	4,535.8	1,301.2
10	Ice Age: Collision Course	US	14 July 2016	20th Century Fox CIS	-	205,985	1,079	4,103.7	898.0

Sources: RCFA, Nevafilm Research

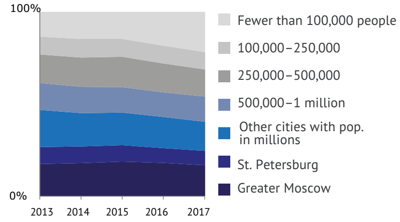
Top ten films of 2017 in Russia

No.	Name of film	Country of origin	Release date	Distributor	TV channel parti-cipation	Number of screenings	Number of cinemas	Total admissions (thousands)	Box-office returns (million RUB)
1	Pirates of the Caribbean: Dead Men Tell No Tales	US	25 May 2017	WDSSPR	-	228,349	1,239	8,021.8	2,130.8
2	Posledny bogatyr (The Last Warrior)	RU	26 October 2017	WDSSPR	Rossiya 1	168,097	1,212	7,402.0	1,671.9
3	Despicable Me 3	US	29 June 2017	UPI	-	270,247	1,364	6,674.8	1,397.2
4	The Boss Baby	US	23 March 2017	20th Century Fox CIS	-	152,631	1,225	6,320.7	1,391.1
5	The Fate of the Furious	US / CN / JP	13 April 2017	UPI	-	212,869	1,314	5,320.4	1,443.4
6	Guardians of the Galaxy Vol. 2	US	04 May 2017	WDSSPR	-	195,653	1,214	5,299.3	1,479.6
7	Viking	RU	29 December 2016	Central Partnership	Channel One	116,978	1,214	5,232.5	1,389.0
8	Thor: Ragnarok	US	06 November 2017	WDSSPR	-	146,215	1,271	4,298.8	1,239.0
9	It	US / CA	07 September 2017	Caro Premier	-	124,987	1,217	4,130.6	1,046.0
10	Sing	US / JP	02 March 2017	UPI	-	153,390	1,296	3,854.0	890.9

Sources: RCFA. Nevafilm Research

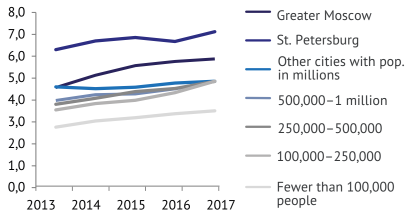
3.4. Access to cinema exhibition among the Russian population

Distribution of screens by city size



Source: Nevafilm Research

Screens density per 100,000 residents in cities with cinemas

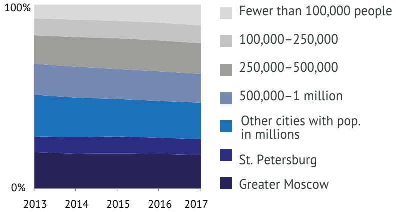


Source: Nevafilm Research

Since 2014, the modern cinema network's depth of coverage has extended to all towns with a population of over 250,000 inhabitants, whilst over 90% of the next group of towns (with between 100,000 and 250,000 inhabitants) have also been provided with modern cinema exhibition services, leaving only small settled areas with a serious shortage of screens. At the end of 2015, when the Cinema Fund launched its exhibition support programme, only 31% of towns and villages with a population of between 10,000 and 100,000 inhabitants possessed modern cinemas.

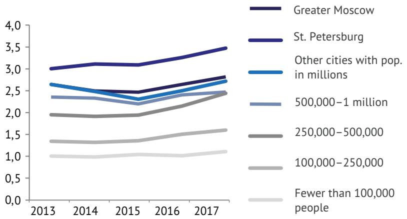
Today, 18% of all Russian cinemas are located in Greater Moscow, with corresponding figures for admissions.[1] 9% are located in St. Petersburg (the Northern Capital is also the major city with the highest density of screens, at seven per 100,000 inhabitants). A further 16% of screens and 20% of admissions are distributed between another 13 cities with populations in the millions. The state programme has resulted in the growth of the small towns segment in recent years: by the end of 2017, 22% of the country's screens were located in small towns, although only 11% of tickets were sold there. The low level of cinema admissions per capita in small towns is confirmed by statistics which show that, in 2017, every inhabitant of St. Petersburg went to the cinema an average of 3.5 times, and in Moscow and other cities with populations in the millions, residents went 2.7–2.8 times; but in settled areas with between 100,000 and 250,000 inhabitants, each inhabitant went to the cinema only 1.6 times, and in smaller towns still, 1.1 times.

Distribution of screens by city size



Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

Distribution of screens by city size



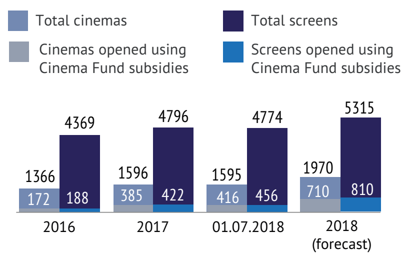
Sources: Russian Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

[1] *The methodology employed by Nevafilm Research includes in its data for Greater Moscow cinemas located in the following towns: Moscow, Barvikhinskoye Rural Settlement, Vidnoye, Dzerzhinsky, Dolgoprudny, Kotelniki, Krasnogorsk, Lesnoy Gorodok, Lyubertsy, Mytishchi, Odnitsovo, Reutov, and Khimki.*

3.5. The Cinema Fund of Russia's exhibition support programme

The limited capacity of markets in small towns makes this segment unprofitable for commercial players. Government support has been of considerable benefit in this case. The Cinema Fund has begun issuing subsidies of RUB 5 million to regional exhibitors; five competitions were held between December 2015 and May 2018 which have resulted in more than 700 successful applications to equip 810 screens. The key requirements made of subsidy recipients are that they must install new film projection equipment and that they must be able to demonstrate, for three years following the opening of the screen, that at least 50% of screenings each quarter are of domestically produced films. The first two competitions were held in towns with populations of under 100,000 inhabitants. Eligibility was then extended to cinemas in towns with populations of 500,000 inhabitants or fewer. Nonetheless, the average size of the settled areas from which applications were submitted remained small: the average number of inhabitants in towns taking part in the five competitions was 36,400, with a median of 16,000.

The role of the Cinema Fund subsidies in cinemafication



Source: Nevafilm Research

It is thanks to this subsidization from the Cinema Fund that the trend for the opening of new screens and cinemas continued in 2016–2017. As of mid-2018, this market segment accounts for 26% of cinemas and 10% of screens, proportions which will increase to 36% and 15% respectively once all subsidized screens have opened. At the same time, the contribution of subsidized screens to cinema admissions across Russia remains small: according to comScore, these accounted for only 0.5% of admissions in 2016 and 2% of admissions in 2017 (and for 0.4% and 1.6% of box-office returns respectively).

These low figures for admissions and box-office returns can be attributed to the fact that each competition set a date by which screens in receipt of a subsidy must open, either the end of the competition year or the end of the following year. As a result, the majority of venues opened towards the end of this period; so, in 2016–2017, only a small number of screens had been open for a full calendar year. However, there are also economic reasons behind the less successful performance of these venues. Firstly, in small settled areas, even screens with an absence of competition (which is not always the case) cannot count on drawing the same audiences as their counterparts in major cities; it is often also the case that the habit of cinema attendance in small towns has died out during years of no access to cinema exhibition (in many towns, the new subsidized screens are the first to have opened within the lifetime of the Russian Federation). Secondly, requirements for the number of screenings of domestically produced films restrict opportunities for cinemas to show Hollywood projects, particularly in periods when fewer Russian films are released (i.e. over the summer). As a result, film exhibitors cannot maintain a steady income over the course the year. The absence of a sufficient number of Russian summer releases is also forcing screen owners to think up inventive ways of meeting the '50% of screenings' requirement. Up to 2018, subsidized cinemas often showed short animated collections, *Mult v kino (Cartoons at the Cinema),* which were included in cinemas' programmes in order to meet the required quota. More recently, requirements for the length of screenings of domestically produced films have become stricter, dictating that only feature-length films of over 52 minutes in length count towards the quota. Moreover, there are no plans for additional subsidies to assist the operation of screens opened as a result of the Cinema Fund's programme. Experts therefore anticipate the unavoidable closure of a number of such venues unless additional measures to support them are provided; examples of this have already been observed in 2017–2018.

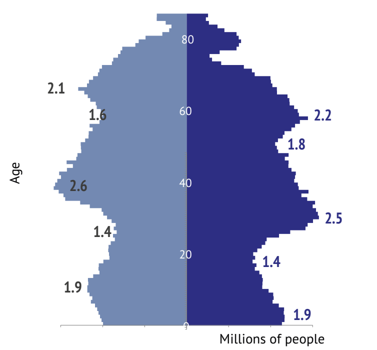
The Cinema Fund also took the first step towards providing additional support to help cinemas in receipt of subsidies receive access to first-run Russian films – a costly process, as distributors set quite tough conditions (payment of the so-called 'minimum guarantee'). In 2018, the Cinema Fund launched a programme to provide content to cinemas receiving subsidies, covering the costs of copying and supplying the films and guaranteeing the distributors reimbursement of the distribution charge. As part of this programme, the Cinema Fund provided two films, *Trener (Trainer)* (Central Partnership) and *Nu, zdravstvuy, Oksana Sokolova! (Well Hello, Oksana Sokolova!)* (Nashe Kino). They expect to have provided around six more films by the end of 2018.

In conclusion, one undeniable achievement of the state's support programme for the cinema network has been a significant increase in the proportion of the population with access to modern exhibition services: thanks to this programme, the number of towns with cinemas has increased from 513 to 890 within the space of two and a half years, while the number of people living in these towns has increased from 89.6 to 97.3 million.

3.6. Cinemagoers

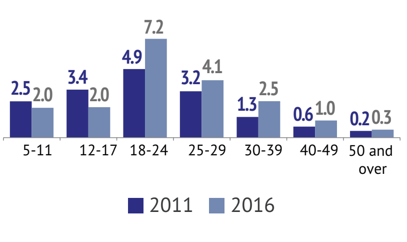
Russian cinemagoers themselves must be taken into account when considering the future development of film distribution. Recent years have seen changes both in the age structure of the population and in patterns of film consumption among people of different age groups. Between 2011 and 2016, Nevafilm Research conducted a series of nationwide surveys of cinema audiences. A comparative analysis of the results shows that Russian cinemagoers are getting older.

Age structure of the Russian population



Source: Rosstat

Trends in film consumption in Russia by age group



Source: Nevafilm Research

This is the result of the declining number of young people in the national population – a trend that Russia has in common with North America and Europe. Everywhere, life expectancy is increasing, the birth rate is falling, and natural growth is giving way to natural decline, while immigration is making up population numbers. Fluctuations in the number of people in each generation are, however, more noticeable in Russia than in western countries and have a cyclical character which influences the composition of Russian cinema audiences. For instance, in 2017, a demographic gap affected young people from 17 to 19: there were only half as many 17-year-olds (1.3 million) as 29-year-olds (2.6 million). Russia will experience two population surges by 2025: in the number of 37-year-olds (today's 29-year-olds, who make up the majority of cinemagoers) and in the number of 12-year-olds (who are currently aged four and whose cinemagoing habits are of the greatest concern).

Nevafilm Research's calculations suggest that Russian cinemas are today most often visited by young people of student age (18–24), who go to the cinema more than seven times a year on average. The most infrequent visitors are Russians over 50 years of age, who go to the cinema an average of 0.3 times a year. At the same time, frequency of cinema attendance is falling among younger age groups and rising among older ones.

3.7. Cinema exhibition market players

In spring 2017, a significant event occurred in the world of Russian cinema: Alexander Mamut's company A&NN Investments Ltd acquired two major cinema chains, CINEMA PARK and Formula Kino, which together account for more than 13% of the market in terms of number of screens. The businessman is also owner of Moscow's Pioneer cinema, opened in 2009, which is part of the Europa Cinemas[1] chain and has become a cult venue for fashionable society in Moscow thanks to its policy of showing an unusual repertoire, including both widely distributed blockbusters and arthouse films, as well as holding additional events (including arts evenings, festivals, screenings of masterpieces of world cinematography, special events, book launches, summer cinema screenings, and film distribution). In December 2016, the Khudozhestvenny ('Arts') cinema on Moscow New Arbat Avenue was also transferred to the management of the Pioneer company under a long-term lease agreement, and is now undergoing work which includes plans to restore the building's historical appearance. This newly-created cinema chain's repertoire policy is, however, constructed along different lines to that of Mamut's flagship venue, to appeal more to a mass audience. It has changed little following its change of ownership. Mamut also owns media holding company Rambler & Co (which owns 50% of the company UCS, whose ticketing system is used by most of the country's major cinemas) and the afisha.ru website, which includes lists of cinemas and reviews. In 2018, he acquired the company Era Capital, which owns video-on-demand service Okko. (Rambler & Co began examining the VoD market in 2017, and held talks with several major players.) In this way, Mamut is building a major corporation in the cinema market.

[1] Supported since its creation by the European Commission (Creative Europe / MEDIA Programme) and by the CNC (France), Europa Cinemas is the first network of cinemas focusing on European films. Created in 1992 at the initiative of a group of 30 cinema exhibitors, in 25 years, it has become a network uniting more than 1,100 cinemas (nearly 3,000 screens) in 43 countries.

As of mid-2018, second place in the cinema chain ranking is held by company Premier-zal, which has an entirely different structure: the company manages 239 cinemas and 339 screens, but owns only nine cinemas and 23 screens; the rest are under operational management or repertoire planning agreements. Premier-zal no longer counts among the top ten market leaders if the latter are excluded. In any case, numerous Russian chains and independent bookers are concluding management and scheduling agreements with independent cinemas. The development of these services is facilitated by subsidies from the Cinema Fund: cinemas in small towns often lack experience in selecting films, or sufficient weight to obtain films on favourable terms, and so delegate negotiations with distributors to stronger market players in exchange for a percentage of their box-office returns. These alliances tend not to be particularly long-lasting, however: cinemas often change their managing company and attempt from time to time to operate independently. At the same time, cinema chains are unable to take any decisions for the venues under their management aside from decisions about repertoire.

Largest cinema chain operators in Russia as of 1 July 2018 (including franchises and cinemas under repertoire planning agreements)

Ranking as of 1 July 2018	Chain Operator	Number of sites	Number of screens	Market share by number of screens	Head office
1	*Cinema chain composed of CINEMA PARK and Formula Kino*	*74*	*626*	*13.1%*	*Moscow*
2	*Premier-zal*	*239*	*339*	*7.1%*	*Yekaterinburg*
3	*Kinomax*	*32*	*234*	*4.9%*	*Moscow*
4	*KARO*	*29*	*223*	*4.7%*	*Moscow*
5	*Mori Cinema*	*22*	*151*	*3.2%*	*St. Petersburg*
6	*Luxor*	*17*	*129*	*2.7%*	*Moscow*
7	*Cinemas*	*25*	*128*	*2.7%*	*Moscow*
8	*OptimaKino*	*38*	*125*	*2.6%*	*Moscow*
9	*Cinema 5*	*21*	*115*	*2.4%*	*Yoshkar-Ola*
10	*Monitor*	*28*	*104*	*2.2%*	*Krasnodar*
	Total owned by these operators	*525*	*2,174*	*45.5%*	
	Total in Russia	*1,595*	*4,774*	*100%*	

Source: Nevafilm Research

Excluding franchises and cinemas under repertoire planning agreements, second place in the cinema chain ranking is held by the company KARO, which enjoys a market share of 4.7% of screens. Since 2012, KARO has been owned by UFG Private Equity and a Russian direct investment fund, as well as by entrepreneur Paul Heth. Information emerged in 2017 that South Korean company CJ CGV were interested in purchasing this cinema chain; in the end, however, an alliance was instead announced between CJ CGV and Russian developer ADG Group, who plan to jointly invest USD 70 million in developing a cinema chain based on old Soviet cinemas in 33 local recreation centres in Moscow. These are set to open within the next two years. It is the South Korean investor's ambition to occupy first place in the ranking of Russian cinema chains: according to Executive Vice President of CJ CGV's Global Business Division Bret Kim, the company plans to win 30–40% of the Russian market by opening 200 venues with 1,600 screens.[1] Should its plans succeed, the landscape of the Russian cinema exhibition market is set to change considerably.

Largest cinema chain operators in Russia as of 1 July 2018 (excluding franchises and cinemas under repertoire planning agreements)

Ranking as of 1 July 2018	Chain Operator	Number of sites	Number of screens	Market share by number of screens	Head office
1	Cinema chain composed of CINEMA PARK and Formula Kino	74	626	13.1%	Moscow
2	KARO	29	223	4.7%	Moscow
3	Kinomax	29	214	4.5%	Moscow
4	Mori Cinema	22	151	3.2%	St. Petersburg
5	Luxor	17	129	2.7%	Moscow
6	Cinemas	25	128	2.7%	Moscow
7	Cinema 5	12	74	1.6%	Yoshkar-Ola
8	Pyat zvezd	11	64	1.3%	Moscow
9	Mori Cinema	9	62	1.3%	Moscow
10	Monitor	11	55	1.2%	Krasnodar
	Total owned by these Operators	239	1,726	36.2%	
	Total in Russia	1,595	4,774	100%	

Source: Nevafilm Research

[1] Bret Kim: "We want to become the number one cinema chain in Russia." 3 May 2018, Booker's Bulletin. http://www.kinometro.ru/interview/show/name/Bret_Kim_interview_1145 [Russian only]

Chapter 4.
LAWMAKING IN THE FILM INDUSTRY

4.1. Legislative changes introduced in 2017–2018

Continuing the 2016 initiative to provide access for people with physical disabilities,[1] from 2017, in accordance with Federal Law No. 34-FZ 'On the introduction of changes to Articles 8 and 9 of the Federal Law "On state support for cinematography in the Russian Federation"' (dated 28 March 2017), all those in receipt of funding from the Cinema Fund must provide film subtitles for the hard of hearing and audio description for the visually impaired. The law also requires exhibitors 'to ensure that cinema screens are accessible for people with disabilities and to show subtitles and provide audio descriptions for national feature films and feature-length animated films'.

In 2017, a new agreement was signed between the Ministry of Culture and the Cinema Fund concerning the award of subsidies from the federal budget to support the film industry (No. 054-11-719 of 3 May 2017). This has led to the imposition of a number of new obligations on those in receipt of funds via the Cinema Fund:

- To offer students from state film schools practical experience working on the production of subsidised films.
- To complete production of films no later than three years following signature of the contract.
- In case of a change in the Russian release date of a film made with Cinema Fund support, to provide the relevant information no later than three months before the date specified in the contract for the film's production.
- For leading domestic film production companies: to achieve a figure of at least one admission per RUB 100 of funding received for films made with non-repayable support from the Fund in 2017.

On 1 July 2017, Federal Law No. 87-FZ, dated 1 May 2017, came into force. Referred to as the 'law on online film streaming services', its full title was 'On the introduction of changes to the Federal Law "On information, information technologies, and information protection" and separate legislative acts of the Russian Federation'. According to this law, foreign citizens and stateless persons are prohibited from owning more than 20% of online audiovisual services with a daily audience of over 100,000 users in Russia over the course of a month. This requirement extends to services where less than 50% of the audience consists of Russian users, although they can gain access to the market with the agreement of a special government committee. In addition, online streaming services must observe the restrictions contained in the laws 'On protecting children from information harmful to their health and development' and the laws on referendums and elections, as well as the requirements regulating the dissemination of mass information.

[1] See: Film Production and Co-Production in Russia, and the Export of Russian Films Abroad, 2016 – https://rm.coe.int/ru-film-production-and-co-production-in-russia-and-the-export-of-russi/168078353d

The law also requires the registration of online streaming services in a special register which must be kept by Roskomnadzor (the Federal Service for Supervision of Communications, Information Technology, and Mass Media). This includes audiovisual services which fall under the definition given in the law. Roskomnadzor must advise service owners of their inclusion in the register and request additional information about the ownership structure of the service. If this does not comply with the law, then access to the service may be restricted.

However, in August 2018, the legislation was not yet working effectively: Roskomnadzor had not created the required register, since the Ministry of Digital Development, Communications, and Mass Media had not yet developed the statute which would establish a government committee responsible for issuing special authorization for the operation of services where Russian users make up less than 50% of the audience. It is also unclear how the number of users will be calculated in the case of the many streaming services which operate not only via websites, but also via smart TVs and mobile apps.[1]

Federal Law No. 156-FZ 'On the introduction of changes to the Federal Law "On information, information technologies, and information protection"', dated 1 July 2017, extended the tools available for protecting copyright on the Internet, allowing rights holders to block the 'mirror sites' of pirate websites using extrajudicial procedures if a prior judicial ruling to block their main website is in place. The decision as to whether a website is a mirror site is taken by the Ministry of Digital Development, Communications, and Mass Media.

On 4 July 2017, a long-awaited agreement was signed between the Russian government and the government of the People's Republic of China concerning collaboration in the field of joint film production over a five-year period. This means that there are now eight intergovernmental agreements in place in Russia: the European Convention on Cinematographic Co-Production (signed by the Russian Federation on 30 March 1994), an agreement on joint film production with the CIS states (14 November 2008), based on an earlier agreement on collaboration in the field of cinematography (10 February 1995), and six bilateral agreements with France (1967 and 1992), Canada (1995), Italy (2002), Bulgaria (2004), Germany (2011), and now China.

Finally, 2017 brought official sanction for non-commercial public screenings of films made on the territory of the Russian Empire or the USSR and now in the public domain in the Russian Federation without a distribution licence (Federal Law No. 230-FZ 'On the introduction of changes to Article 5.1 of the Federal Law "On state support of cinematography in the Russian Federation"', dated 29 July 2017).

Among the changes which have come into force in 2018, the most long-awaited was Federal Law No. 95-FZ 'On the introduction of changes to Articles 149 and 427 of Part Two of the Tax Code of the Russian Federation', dated 23 April 2018. This law

[1] *M. Istomina, "A year on and the legislation on online streaming services is still not working effectively", RBK, 20 August 2018 – https://www.rbc.ru/technology_and_media/20/08/2018/5b75b25c9a794763c321ab12?from=main. [Russian only]*

provided subsidies to Russian animators, a move which had been under discussion for several years. Firstly, the animation industry was granted exemption from VAT not only on the production, distribution, and exhibition of films which are certified as national films, but also on income from the use of licences for characters, musical works, and other protected objects of copyright and related rights when used for the production of a film which has been certified as a national film. Secondly, in the period from 2018 to 2023, Russian animation studios will pay reduced insurance contributions on staff salaries, similar to those paid by IT companies.

A number of changes in 2018 had a bearing on the activities of the Cinema Fund. Firstly, a new performance indicator for state support was introduced: admissions to screenings of Russian films abroad. Audiences for national films released abroad in the last five years are now considered when drawing up rankings of the leading domestic film producers. The Cinema Fund obtains this information from the comScore, Box Office Mojo, and Ebot databases, or from the producers themselves. These statistics were first published in The Russian Film Industry – 2017.[1]

Secondly, restrictions were introduced on the allocation of non-repayable subsidies for film production: in the case of sequels, subsidies are now granted only for the first two parts of the franchise. It had previously been common practice to subsidise new series without restrictions.

Finally, the new Cinema Fund charter confirmed in August 2018 establishes a new high-ranking collegiate body (the Fund Council); it makes the Fund's Board of Trustees a higher supervisory body and introduces a new term of office (three years) for the Executive Director and council members. Membership of the councils and candidates for the post of Executive Director are to be confirmed by the government based on recommendations by the Ministry of Culture.

The most recent legislative change involved amendments to the law ‘On state support of cinematography in the Russian Federation’, introduced by Federal Law No. 335-FZ, dated 3 August 2018. The amendments introduce the term ‘film festival’ (‘a cultural and educational event held in accordance with the regulations or rules established by the organisers of the event which features screenings of specially selected films and may include a competition programme consisting of films assessed by a jury [...] the total length of which should be no more than ten days’; the list of international film festivals will be approved annually), regulate the number of screenings of films at festivals (no more than two), and exempt these films from the requirement to obtain a distribution licence.

It should be noted that these changes, which are due to come into force in early November 2018, are provoking serious reservations among filmmakers, as they are likely to hit the so-called event cinema segment. The number of programmes of this type has increased annually with the industry’s shift to digital technology. In 2017, according to Nevafilm Research’s calculations, 327 programmes were screened, featuring around 600 titles, only a quarter of which have a distribution licence, including 217 being shown for the first time in a cinema. Many of the new releases

[1] See: The Russian Film Industry – 2017, Cinema Fund, 2018 – http://resources.fond-kino.ru/eais/docs/Russian_Film_Industry_2017.pdf, pp. 126–146

are retrospectives (50 programmes), documentary films (45), dramas (40), operas (15), and ballets (seven). They also include around 25 different national and thematic festivals and 20 collections of short films. They are mainly shown on Russian cinema screens as part of festivals which have no chance of being included in the Ministry of Culture's official register. Obtaining a distribution licence for such projects in Russia is difficult: numerous documents must be submitted, including shot lists and scripts, and an obligatory copy of the film must be provided to Gosfilmfond (the state film collection). Evidently, these matters need to be resolved by changes in the legislation concerning the issue of distribution licences, especially in the light of the initiatives which are currently under consideration.

4.2. Proposed legislation

The most important bill, which has been in discussion since 2017, is the proposal to increase the state duty on the issue of a distribution licence from RUB 3,500 to RUB 5 million. The bill (No. 02/04/04-17/00064514 'On the introduction of changes to certain legislative acts of the Russian Federation'[1]) proposes the introduction of this obligatory non-tax payment for any full-length feature or animated film screened over 100 times within the Russian Federation; the revenue would go towards a special reserve fund for the development of cinematography. An explanatory note mentions compensation of this sum for national films, but there is no provision for this in the bill itself. The authors of the bill consider that highly artistic but low-grossing films can be confined to a limit of 100 screenings, and that, of approximately 500 films screened in a year, 'more than 50 inferior foreign films [...] compulsorily included by distributors in packages with blockbusters' can be cut out. It is expected that this 'sanitised' distribution would consist of approximately 440 films, each of which would bring in RUB 5 million. This would mean RUB 2.2 billion for the Cinema Fund (including RUB 1.4 billion from foreign films and, it would appear, RUB 0.8 billion from Russian films). This sum would then be used to support Russian filmmaking.

In December 2017, Minister of Culture Vladimir Medinsky announced that in place of increasing the cost of distribution licences, a proposal to collect a non-tax payment amounting to 3% of the price of every cinema ticket was under consideration. He believes that this would bring in at least RUB 1.5 billion a year for the Cinema Fund. However, this proposal has not yet been introduced in the form of a legislative initiative.

Another bill ('On the introduction of changes to the Federal Law "On state support for cinematography in the Russian Federation"'[2]) proposes the introduction of restrictions on the screening of individual films in any given cinema: no more than 35% of the total number of screenings in a day or 35% of the number of screenings in a single-screen cinema in a calendar month can be of the same film. It should be noted that this bill did not obtain the support of the Federal Antimonopoly Service in February 2018, but according to the official portal of bills, it has not been rejected.

[1] The draft law has been included on the federal portal of bills https://regulation.gov.ru since 27 April 2017. [Russian only]
[2] No. 02/04/06-17/00066959, date of registration on the portal of bills https://regulation.gov.ru 6 June 2017. [Russian only]

In July 2018, it became clear that a bill on a quota for foreign films shown on television will be considered during the autumn session of the State Duma.[1] Andrey Svintsov, a representative of the Liberal Democratic Party and Deputy Chairman of the State Duma Committee on Information Policy, Information Technology and Communications, is proposing restrictions on the broadcast of foreign content, especially foreign blockbusters, on state-funded Russian television channels. It should be noted, however, that the number of films shown on television has in any case fallen in recent years: according to TNS Russia/Mediascope, in 2010, the proportion of films on 20 terrestrial television channels was 20.5%,[2] whereas by 2015–2017, films accounted for only 15% of air time.[3] Besides, Russian films are in greater demand than foreign productions, which is why TV channels focus on them. For example, in November 2017, TNT announced that it would no longer be showing any foreign films.[4]

[1] *See: Bill on quota for foreign films and other content on television to be brought to State Duma in autumn. Moskva City News Agency, 16 July 2018. – https://www.mskagency.ru/materials/2798826. [Russian only]*
[2] *Based on a TNS TV Index report, Russia (towns with a population of 100,000+), 2010*
[3] *See: The Russian Film Industry – 2017, Cinema Fund, 2018 http://resources.fond-kino.ru/eais/docs/Russian_Film_Industry_2017.pdf, p. 258*
[4] *See: Afanasieva A. TNT will show import substitutions. Kommersant, 17 November 2017. [Russian only]*

Chapter 5. CHALLENGES AND PROSPECTS FOR THE DEVELOPMENT OF THE RUSSIAN FILM INDUSTRY

5.1. Conditions for development of the Russian film industry: PEST analysis

On the basis of the research conducted for this study, we have compiled a PEST analysis (an examination of the political, economic, social, and technological aspects of the external environment) and identified the conditions in which the Russian film sector will be developing in the medium term.

From a political point of view, we are observing increased participation by federal executive agencies in the regulation of the film market and of its players' activities, as well as an expansion of the cinema network thanks to state support. While these processes are leading to reduced competition in the market, they are also creating favourable conditions for domestic content, inculcating loyalty to Russian film production among domestic audiences. Here, the industry's strategy is to concentrate resources for state support on a dwindling number of high-budget films made by leading studios. The market share of Russian films is therefore increasingly dependent on a small number of studios and the films they make.

The economic crisis in Russia shows no signs of abating. According to the Russian State Statistics Agency, citizens' real income fell by 10.5% from 2013 to 2017, while the exchange rate shot upwards from RUB 32.66 to the dollar on 1 January 2014 to RUB 68.05 on 1 September 2018. The government is battling economic problems by increasing taxes (from 2019 VAT will increase from 18% to 20%) and by raising the state pension age, intensifying pressure on businesses and on the general population. Meanwhile, opportunities are appearing for producers to benefit from more extensive sources of income and investment, including sources not dependent on state support, such as collaboration with television channels, crowdfunding, foreign sales, developing video-on-demand services, themed television channels, and more. Furthermore, work by regional film-makers could help to diversify the film production industry.

Social conditions in the country are also changing. Demand is increasing in the mass market for simple ideas presented in an eye-catching way on the big screen: films on general release prioritise special effects over meaningful content, while serious topics are more often touched upon in 'smaller-scale' formats for viewing at home (series, intimate dramas). At the same time, the audience is growing more segmented, and event-driven distribution is developing for fans of niche films; this increases choices for viewers and provides them with films of a higher cultural level (unless this is prevented by the 'festivals law', No. 335-FZ dated 3 August 2018). The film industry is also about to face a demographic time bomb: the number of adolescents has fallen sharply, and this is likely to be a long-term phenomenon. Finally, under the influence of global trends, attention is being paid to gender equality issues and to the role of women in key positions in production teams.

Cinematographers are showing an increasing interest in animation, the result of the ever-increasing flexibility of filmmaking processes and the growing popularity of the genre among the public, as well as tax incentives for domestic animation studios. The continuing monopoly among manufacturers of digital cinema projectors[1] is erecting economic barriers to accessing that equipment and preventing cinema chains from expanding; at the same time, attempts to introduce less expensive technology for exhibition in various countries is running up against Hollywood studios' refusal to screen their films in those cinemas, which has a significant impact on the cinemas' income and can even make them unprofitable. Television is becoming less dominant as a vehicle for advertising films, and the Internet and other forms of interactive communication with audiences are playing a growing role. This is levelling the playing field for market participants in the competition to attract viewers' attention. Content consumers are tending toward a multi-platform approach (cinemas, television, video on demand, mobile devices, games, enhanced reality, etc.), a fact which is reflected in the profound changes to the film market throughout the world.

Politics	***Economics***
• increasing role of the state as regulator of and investor in the film industry *• concentration of state support on large-scale formats (leading studios and commercial films)*	*• weak rouble and economic crisis* *• increasing tax burden on businesses and individuals* *• new sources of financing for independent producers* *• development of regional cinematography*
Society	***Technology***
• simplification of content in films for wide distribution *• segmentation of offerings for narrow audiences* *• demographic gap in Russia's youth population* *• attracting attention to gender equality issues*	*• increased use of animation, including a more prominent role for it in feature films* *• persistent monopoly of foreign manufacturers over digital projection equipment* *• expanding role of the Internet and other forms of audience interaction* *• multi-platform approach in content sales and use*

Next, to comprehensively assess the challenges and prospects for the development of the Russian film industry, we created a SWOT matrix for the conditions listed above to identify the strengths and weaknesses of the Russian film industry and the opportunities and threats arising from the external environment. This method was applied for three sub-industries: producers, distributors, and exhibitors.

5.2. SWOT analysis of film production

Strengths in Russian film production include the fact that there are leaders in the domestic industry who, thanks to state resources and the nature of the process by which leading companies are selected, often maintain their positions for years and enjoy consistent support from the Cinema Fund. However, on the other hand, the very fact that market leaders rarely change constitutes a threat: a system like

[1] *Only two technologies exist which are approved by Hollywood studios and on which the international SMPTE standard is based: SXRD from Sony and DLP from Texas Instruments. Only five companies are licensed to sell those projectors: Sony, Christie, Barco, NEC, and Cinemeccanica. Until 2014, Kinoton was also a licence holder, but it declared bankruptcy and pivoted to software development and support.*

this responds weakly to demand and other changes in the environment, and can eventually become unstable. Competition in the industry breeds resilience, as will the regional film clusters taking shape in Russia.

Among the weaknesses of Russian film production, we would highlight the fact that the proportion of domestic films in distribution is determined by a small number of large production companies, who, in turn, depend on a small number of high-budget films which might not always be successful. We believe a larger number of varied, medium-budget projects could bring about greater stability. Variety and the development of creative potential are also hindered by gender inequality among those holding key positions in production teams, although, despite the complete lack of attention to this issue on the part of both the industry and the state, the percentage of female directors in the country is nevertheless rising.

Additional opportunities are available to Russian producers thanks to comprehensive state support, expressed not only in direct financing for film production but also in the creation of favourable conditions for the distribution of domestic films. However, caution is needed in examining these issues, because it often happens that the legislative initiatives that are adopted have not been assessed by experts, leading to conflicts between market players and potentially even to genuine catastrophes. (For example, if new laws reduce the number of independent distributors, it could turn out that there will be nobody to release even Russian films in cinemas.) Additional investment in film production is currently coming from television channels and major Hollywood studios, allowing for an increase in the numbers of films made and big budgets allocated. Similarly, the increasing sales of Russian films both abroad and to video-on-demand services (both Russian and foreign) are increasing producers' earnings.

S *Strengths*	W *Weaknesses*
• *strong production companies with consistent state support* • *developing regional film clusters*	• *dependence of the industry and leading producers on a small number of successful films* • *gender inequality*
O *Opportunities*	**T *Threats***
• *comprehensive state support* • *TV channels interested in film production* • *Hollywood majors interested in Russian content* • *growing financial opportunities in secondary markets*	• *little variation in market leaders* • *insufficient analysis of legislative initiatives*

5.3. SWOT analysis of distribution

The transition to digital film distribution in Russia, completed in 2015, helped the industry to free up additional resources to promote films to audiences. It also removed barriers to entering the market and expanded the range of films shown in Russian towns, including by adding more event-driven content. In the same year, the

Cinema Fund, having become the operator of the Unified Automated Information System (also known as Russian Cinema Fund`s Analytics – RCFA), improved the way the System worked, making the Russian market one of the most transparent in the world. Today, the ability to obtain relevant, reliable statistics is a strength of the domestic film distribution market.

Weaknesses might include the fact that the market is largely concentrated in the hands of the Hollywood majors, which also distribute Russian films and often use their market power to put pressure on small cinema venues, occasionally preventing them from accessing domestic blockbusters. The majors also have the pick of opportunities to promote their own films using various forms of advertising, including on television. This is a threat to the competitiveness of independent distributors, who are already grappling with reduced demand from the mass market and having trouble purchasing content as a result of the weakness of the rouble.

On the other hand, distributors are benefitting from new ways to protect themselves from piracy. There is also increasing potential to turn a profit from independent distribution, thanks to the spread of new forms of event showings for independent distributors' films: single screenings at individual venues help focus viewer attention and save money on advertising.

At the same time, the constantly changing rules of play and the pressure exerted on distributors of foreign films by the Ministry of Culture make the business of film distribution ever riskier.

S *Strengths*	W *Weaknesses*
• *completed transition to digital distribution technologies* • *transparency of the market thanks to improved functioning of RCFA*	• *market concentration in the hands of Hollywood majors* • *low demand for films from independent distributors* • *low exchange rate and low earnings for foreign producers*
O *Opportunities*	**T *Threats***
• *increasing protection from piracy* • *new forms of distribution and contact with audiences*	• *Hollywood films are most advertised* • *legislative initiatives and legal practice aimed against foreign films*

5.4. SWOT analysis of cinema exhibition

One positive aspect of cinema exhibition in Russia is the existence of access to modern cinemas for all residents of large and medium-sized cities, as well as a cinema network that is expanding in smaller towns with the support of the federal and regional governments (projects awarding subsidies for modernisation of municipal cinemas and for their running costs are underway in many areas of the country). This is facilitating the opening of new screens, as well as stable increases in attendance and box-office returns in Russia. Another advantage for the industry is that the big cinema chains are currently controlled by Russian companies.

Weaknesses include stiff competition among cinemas in large cities and even stiffer competition in medium-sized cities, as well as significant differences between the leading chains: while some might be temporary coalitions, unable to make rapid and unanimous decisions, others might become media holdings with a large market share. However, it is fair to say that the market for cinema exhibition in Russia is generally competitive, in contrast to the markets for distribution and production. At the same time, profit margins for the Russian exhibition business, already none too high, are decreasing due to competition. This limits the ability of networks to develop without support from the state and means the business attracts fewer and fewer investors and entrepreneurs.

Falling purchasing power among the population poses a threat to the exhibition business by forcing Russian cinemas to reduce ticket prices. Pressure on cinemas from state agencies (the Cinema Fund, the Ministry of Emergency Situations, and others) and the unpredictability of release dates for upcoming films exacerbates cinemas' economic problems. One additional threat is the global trend toward decreasing interest in cinema attendance among young people, accompanied by a threat characteristic only of Russia: the demographic slump in the population of adolescents and college students, who have traditionally been the most active group of cinemagoers. Video-on-demand services are also evolving, becoming ever more serious competitors to cinemas, attracting not just youth audiences, but older age groups as well. Additionally, a South Korean cinema chain may soon enter the market, which will change players' positions in this sub-sector.

Strengths	***Weaknesses***
• *access to screens for residents of all cities with a population of over 250,000* • *continuing growth of cinema chains (thanks partly to state support) and increased attendance* • *large cinema chains are controlled by Russian companies*	• *stiff competition in large and medium-sized cities* • *differences in the structure of the leading cinema chains and their competitiveness* • *low margins for the Russian cinema exhibition business*
Opportunities	***Threats***
• *the amalgamation of smaller businesses into cinema and media holdings is preparing the ground for new forms of the film business to emerge* • *smaller towns are available for cinema chains to expand into* • *niche formats for cinemas, such as art-house, clubs, children's, etc.*	• *limited purchasing power among the population* • *unpredictability and harshness of state regulation of distribution, pressure on cinemas from regulatory bodies* • *decrease in number of young viewers and their film consumption* • *competition with other ways of consuming content and the evolution of VoD* • *plans for foreign players to enter Russian markets*

On the other hand, domestic companies today have something to offer which both potential foreign competitors and home viewing methods do not. The groundwork is currently being laid in Russia for new formats to appear in the shape of unified media platforms aimed at audiences of different ages and tastes. Furthermore, the potential for cinema chains to expand geographically has not yet been exhausted, and there is still potential to develop niche cinema formats (art-house, children's, clubs, event-focused, etc.).

5.5. Conclusions

By collating the results of the PEST and SWOT analyses, we have produced a composite table of characteristics of the Russian film industry.

According to this table, the main influence on the industry today is economic: 15 of the 39 most important characteristics identified in the course of our research were economic in nature. The Russian economy contributes the most positive features (strengths and opportunities) in the sphere of film production, including a reduction in the concentration of producers in the capitals and increasing investment in Russian companies by Hollywood majors and TV channels. Moreover, the increase in VAT is not affecting the industry, as national films are not liable for the tax. However, distribution and exhibition of films are more affected by economic problems connected with competition, the rouble exchange rate, the low margins of the business, the tax burden, and the fall in Russians' real income.

After economic factors, political and social factors have the most impact on the Russian film industry, with eight characteristics related to each of these factors.

Decisions taken by the authorities have affected film production uniformly positively: the industry receives extensive financial support and benefits from a range of measures regulating the distribution and exhibition of Russian films, while great importance is accorded to the development of foreign ties, primarily as regards sales of Russian films. Distributors and cinemas also receive targeted political support (extension of the cinema network and protection from piracy), but are experiencing ever more frequently the negative consequences of legislative initiatives to regulate distribution which are aimed at restricting the number of foreign films shown.

Cinemas do best out of social factors: there has been a significant increase in the reach of the cinema network, but there is still room for various forms of expansion, both geographical (if only into small towns) and into previously unoccupied market niches (for example, arts cinemas are very poorly developed in Russia). At the same time, social factors can also cause problems for cinemas: they have to compete with ever more players for ever fewer active cinemagoers, the consequence of the demographic gap. However, it is film production that is most affected by social factors: with social factors contributing no strengths or opportunities, weaknesses (the inequality of women) and threats (the trend towards content appealing to the lowest common denominator is gathering pace) are to the fore here.

Finally, modern technology is influencing the state of the Russian film industry to a lesser extent: of the 39 characteristics of the Russian film industry identified in this chapter, only seven are technological in nature. Technological developments are having a negative impact on cinema exhibition, which are threatened by competition from video-on-demand services and dependence on foreign equipment.

On the other hand, technology is doing distributors and film producers nothing but good, enabling them to reduce their expenses, receive extra income, and develop new ways of interacting with cinemagoers.

The changes taking place in the social sphere therefore require particular attention in the film production. Distributors must concentrate on minimising economic and political risks, but it is Russian cinemas which are experiencing the most problems: in addition to economic and legislative difficulties, they are facing serious threats of a technological and social character.

Composite table of characteristics of the Russian film industry

POLITICS		ECONOMICS	
S + state support for major studios + transparency of the film distribution market + support for the extension of cinema chains	W	S + regional cinema clusters + cinema chains are controlled by Russian companies	W – dependence of the industry on a small number of films – market concentration in the hands of Hollywood majors – weakness of the rouble – high level of competition in cities – low margins for the Russian cinema exhibition business – difference in the power of cinema chains
O + comprehensive state support + increase in foreign distribution of Russian films + improvements in protection from video piracy	T – protectionism regarding Russian content and limitations on the distribution of foreign films – unpredictability of state regulation of distribution and pressure on cinemas from authorities	O + interest of TV channels in film production + interest of Hollywood majors in Russian films	T – majors have more advertising opportunities – increased tax burden on the business (VAT on foreign films) – foreign players entering the Russian market – low purchasing power among the population – increased tax burden on the business (VAT on everything except cinema tickets)
SOCIETY		**TECHNOLOGY**	
S + access to cinemas for the majority of the population	W – gender inequality – low demand for films from independent distributors	S + growth in animated films + ull digitisation of distribution	W
O + new event formats for film distribution + geographic niches for the opening of cinemas (in small towns) + free niches for competition (specialised cinemas)	T – films increasingly appealing to the lowest common denominator – demographic deficit	O + development of VoD services + new forms of contact with cinemagoers + formation of media holding companies with extensive potential to create platforms	T – development of VoD services – foreign monopoly on the production of digital projection equipment

film production
film distribution
cinema exhibition

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 41 member states and the European Union, represented by the European Commission. It operates within the legal framework of the Council of Europe and works alongside a number of partner and professional organisations from within the industry and with a network of correspondents. In addition to contributions to conferences, other major activities are the publication of a Yearbook, newsletters and reports, the compilation and management of databases and the provision of information through the Observatory's Internet site.

76 Allee de la Robertsau
67000 Strasbourg, France
Tel.: +33(0)3 90 21 60 00, Fax: +33(0)3 90 21 60 19
http://www.obs.coe.int

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 leader in cinema design and digital cinema equipment supply and installation in Russia and CIS (Nevafilm Cinemas); distributes alternative content in cinemas (Nevafilm Emotion); has undertaken independent monitoring of the Russian and CIS cinema market since 2003 and became a regular partner of international research organisations providing data on the development of the Russian cinema market (Nevafilm Research).

33-2B Korablestroiteley Street, St. Petersburg, 199397, Russia
Tel.: +7 812 449 70 70
http://www.nevafilm.com