Nevafilm Research & Russian Film Business Today
present

THE FILM DISTRIBUTION MARKET IN RUSSIA

Theatrical film distribution
Video distribution
Digital streaming distribution

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December 2010

THE FILM DISTRIBUTION MARKET IN RUSSIA

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Nevafilm

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

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INTRODUCTION

This research project was conceived in early 2010. With our strong background in Russian film distribution market analysis, we planned to wrap up the study no later than May. But our analysis of emerging digital distribution sales models that forego the use of physical media took much longer than we expected. These new forms of film distribution started gaining strength in spring and summer of 2010.

This report offers a cross-section of the current state of Russia's film market, including the following aspects:

- public film screening market (cinema exhibition);
- sales of physical copies of audiovisual products (DVD, Blu-ray);
- sales of exhibition and viewing rights to audiovisual works in digital format, without the use of physical media (broadcast on television or over the Internet).

Before continuing, however, we'd like to present a short introduction on the socio-economic climate that serves as the backdrop to Russia's film distribution sector. This brief treatment of the topic is far from exhaustive.

Political aspects[1]

Russia's power hierarchy and political structure

Today, Russia is a federal presidential-parliamentary democratic republic with sweeping executive powers. The country's structure is the result of the democratic reforms of 1989-1993. The Russian Soviet Federative Socialist Republic (RSFSR) declared sovereignty in 1990. Following the ultimate collapse of the Soviet Union in 1991, the Russian Federation was left as its only successor.

Russia's Head of State is the President. Boris Yeltsin was the first to hold this post in 1991; in 2000, he was replaced by Vladimir Putin; Dmitry Medvedev has served as President since 2008. All three were elected to four-year terms. The next president of the RF will be chosen by national election in 2012 - this time, for a term of six years. The legislative branch of the government is represented by the Federal Assembly - the country's Parliament. The Assembly's upper house, the Federation Council, includes two representatives from each territory of the Federation. The Assembly's lower house, the State Duma, consists of 450 representatives, whose term was extended from four to five years in 2008. The Executive power resides in the Cabinet of the RF. Since 2008, Vladimir Putin has headed the Cabinet as Prime Minister.

All but the judicial branch of the government are located in the capital city of Moscow. The Constitutional Court moved to the country's "Northern capital" of St. Petersburg in 2008; still, Moscow remains the administrative nerve centre for most aspects of Russia's life.

Administrative division and languages of the RF

The Russian Federation consists of 83 federal subjects with equal representation. They, in turn, make up the following eight Federal Districts: Central, Volga, Northwestern, Southern, Far-Eastern, Siberian, Urals, and North Caucasian. The last one, formerly part of the Southern Federal District, was created by Presidential Decree No. 82 on 19 January 2010.

Russian might be the official state language, but Russia's various ethnic groups speak more than 100 languages and dialects, which have the official status of national languages on more than 20 territories of the Russian Federation.

[1] From Wikipedia (http://ru.wikipedia.org/wiki/%D0%A0%D0%BE%D1%81%D1%81%D0%B8%D1%8F)

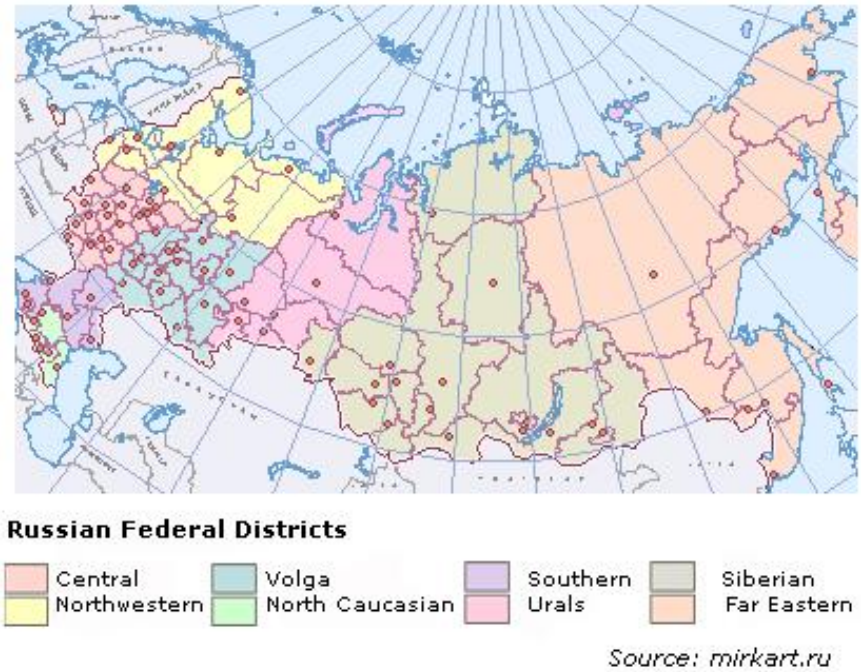


Figure 1. Russia's Federal Districts

Geographical aspects[2]

Geographic location and distribution

Russia is located in the Northern hemisphere, in the northern part of the Eurasian continent. Its territory sits on the cusp of Eastern Europe and northern Asia. The country spans four climate zones, from the arctic to the subtropical, although most of Russia's climate is temperate. Average temperatures in Russia's various regions range from +6 to -50° C in January, and from +1 to +25° C in July. The southern and eastern parts of the country are predominantly mountainous. The Siberian north-east and the Far East are dominated by mid-altitude mountain ranges. The Kamchatka peninsula and Kuril Islands in the Extreme East are a hotbed of volcanic activity. A major part of the Arctic is covered by glaciers. Giant stretches of western Siberia are covered by swamps. In addition, 65% of Russia's territories (Siberia and the Far East) are covered by permafrost.

The climate has considerable influence on the rate of land development and population distribution. Russia's most developed and populated territories are located in Europe. Though they account for only 10% of the country's landmass, the Central and Volga Federal Districts are home to more than half of the country's total population. The Southern District is also highly developed: here, 3% of the country's territory is home to 16% of its population. Russia has a total of 11 cities with populations of over a million. These include Moscow in the Central Federal District; St. Petersburg in the north-west; Nizhny Novgorod, Yekaterinburg, and Samara in the Volga District; Rostov-on-Don in the south; Ufa, Chelyabinsk, and Yekaterinburg in the Urals; and Novosibirsk and Omsk in Siberia.

The southern regions, with their fertile black soil and temperate climate, are traditionally agricultural. The north and the east are rich in minerals, although their development is impeded by rough climate, low population density, and underdeveloped infrastructure. Russia owns the world's largest known natural gas deposits. It's one of the largest producers and exporters of oil. The country is also rich in many other natural resources. This has a clear impact on Russia's economic structure, built primarily around development of raw materials, rather than manufacturing or agriculture, which are made especially difficult by severe climate conditions.

[2] From Wikipedia (http://ru.wikipedia.org/wiki/%D0%A0%D0%BE%D1%81%D1%81%D0%B8%D1%8F)

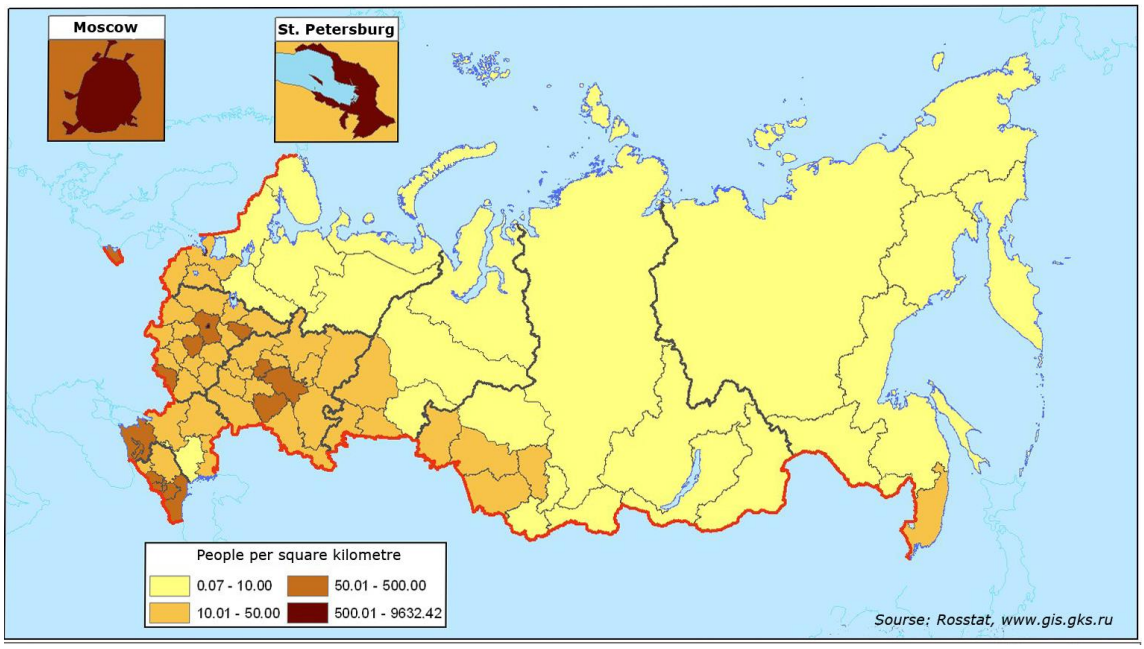


Figure 2. Russia's population density as at 01 January 2009.

Time zones

The territory of the Russian Federation spans nine time zones. The central zone is "Moscow time", internationally known as Moscow Time Zone, or MSK/MSD. Moscow time is offset from Greenwich Mean Time by +3:00 in the winter (MSK) and +4:00 in the summer (MSD). In spring 2010, a string of government decrees reduced the number of time zones in Russia from 11[3]: yet another change in "time zone politics" might be in the works – still in dispute are Kaliningrad (currently -1:00 from Moscow) and Yakutia (currently spread over three time zones, between +5:00 and +7:00 from Moscow).[4]

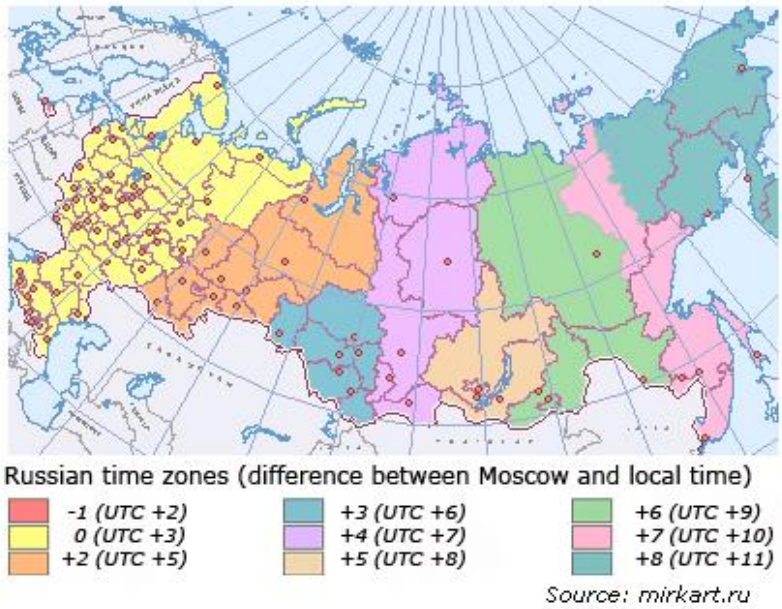


Figure 3. Russia's time zones

[3] Government Resolution No. 166 "On a second time zone in the Republic of Udmurtia" from 17 March 2010, No. 170 "On a second time zone in the Samara Region" from 19 March 2010, No. 171 "On a tenth time zone in the Kamchatka Territory and the Chukotka Autonomous Area" from 19 March 2010.

[4] "'Chasovaia reforma' v Rossii. Perviy etap ["Russia's Time Zone Reform: Phase one."], http://www.vesti.ru, 28 March 2010.

Social and demographic characteristics

Cultural and religious makeup

According to the 2002 census data, Russia is home to more than 180 ethnicities. Russians make up 79.8%; Tatars - 3.8%, Ukrainians - 2%, Bashkirs - 1.2%, Chuvashes - 1.1%, Chechens - 0.9%, Armenians - 0.8%, and other ethnicities - 10.4%.

The Russian Federation is a secular state. Still, despite 70 years of actively enforced atheism of the Soviet era, the country is home to many religions: Christianity (primarily Eastern Orthodox), Islam, Buddhism, Judaism, Paganism, and others. According to the data collected by the Russian Public Opinion Research Centre (VCIOM), 75% of Russian citizens consider themselves Eastern Orthodox[5], while Russian Muslims number 20 million (about 14% of the population).[6]

Russia's Population

As of 01 November 2010, Russia has 141.8 million residents. Since 1991, the population has dropped by 4.3%. The most devastating population decline lasted from the mid-1990s to the mid-2000s, when the birth rate plunged while mortality soared as a result of the economic and political crisis. According to predictions from Federal State Statistics Service, Russia's population will most likely continue to decrease over the next few years, despite government measures to increase the birth rate and stimulate immigration, which is currently the main source of population growth in the RF.

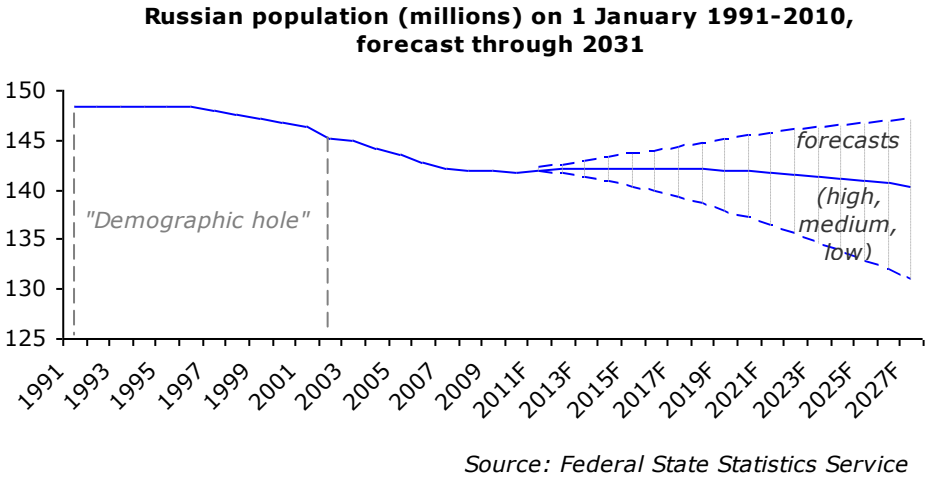


Figure 4. Russia's population (1991-2031, projected)

Age composition of Russia's population

In addition to an overall population drop, Russia is also facing the problem of an aging population. Since 1991, the number of employment-age residents increased by 4.5%, while the number of retirement-age residents increased by 11.3%, and the number of children under minimum employment age decreased by 33.8%.

[5] VCIOM: "Pravoslavnymi sebia schitaut 75% rossiian" ["75% of Russians Consider Themselves Orthodox"]: http://www.rbc.ru/rbcfreenews/20100330161117.shtml, 30 March 2010.

[6] Vladimir Elenbogen. "Musulmane Rossii: kto oni, gde oni, kak oni" ["Russia's Muslims: Who, Where, and How"]: http://news.bbc.co.uk/hi/russian/russia/newsid_4240000/4240502.stm, 05 October 2005.

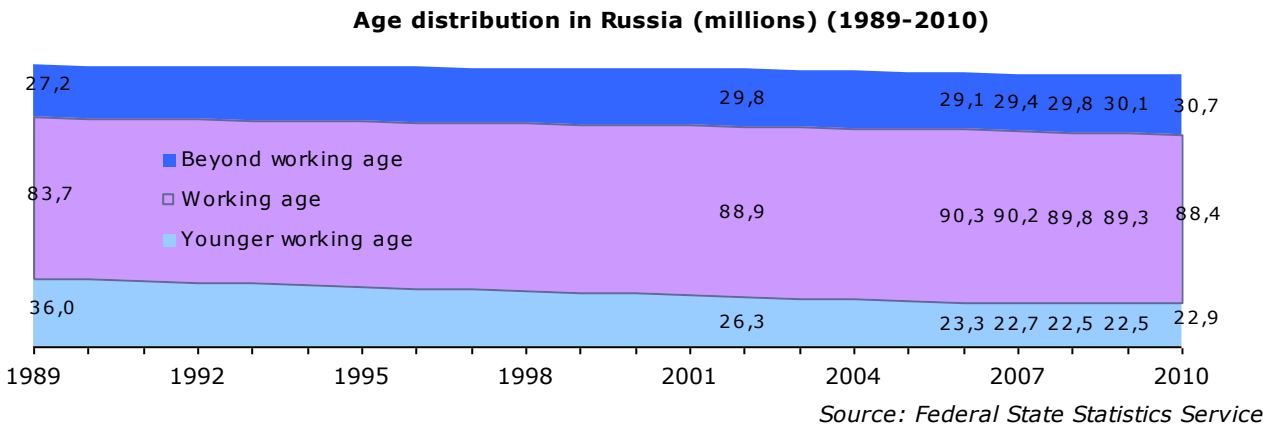


Figure 5. Age composition of Russia's population (1989-2010)

Therefore, the economic burden on working citizens continues to grow, and despite the pension reforms of 2002, the living standard of Russia's elderly remains extremely low.

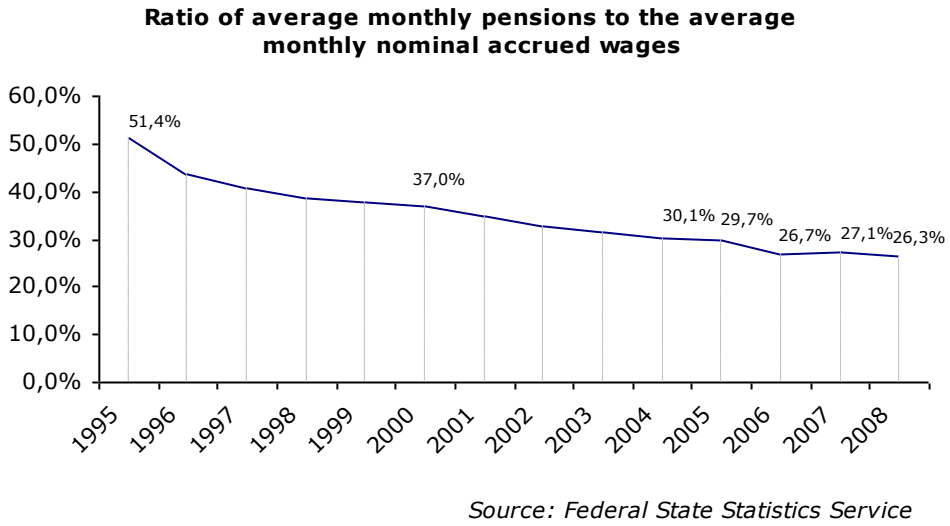


Figure 6. Pension compared to salary in Russia (1995-2008)

Level of education

According to the 2002 census data, the literacy rate in Russia for people aged 9 to 49 is at 99.8%. Russia's education system includes preschool, school (four years of elementary school, with a total of nine years of basic education and eleven years of full secondary education), and professional education (primary, secondary, and higher education). The country's demographic situation affects the distribution of students throughout various levels of the education system. The number of pre-schoolers has been rising since 2003, when the country's economic situation stabilized and programmes designed to increase the birth rate went into effect. The number of school-age children, however, continues its steady decrease as a result of the demographic decline of the 1990s. The number of higher education students, meanwhile, is constantly increasing, driven mainly by the growing number of institutions of higher learning in the country.

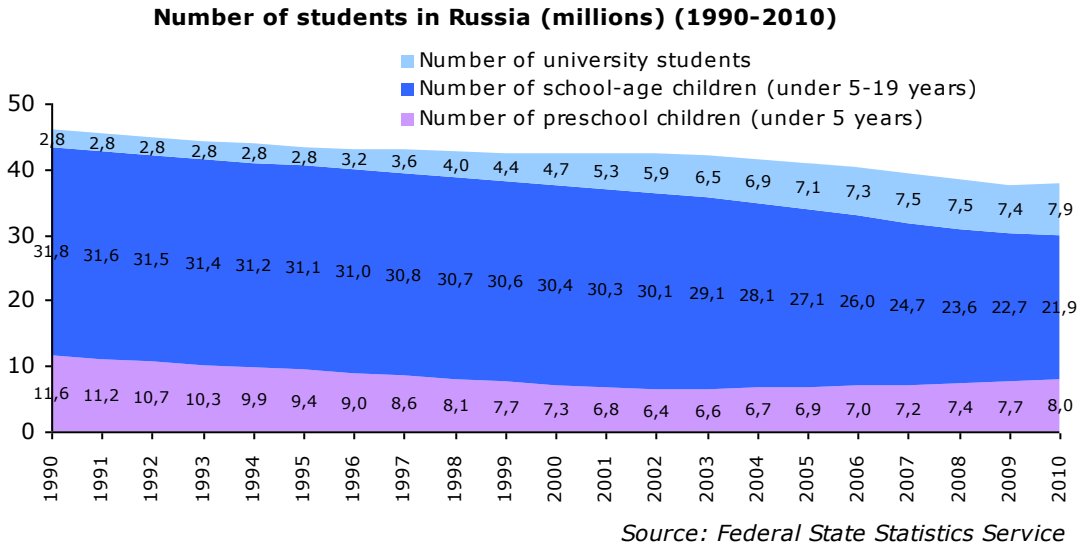


Figure 7. Russia's student population (1990-2010)

Russia's children usually attend school between the ages of 7 and 17-18. Higher education students are between 18 and 25 years old. This demographic is traditionally considered the most active entertainment industry consumer. This is why higher, as well as primary and secondary education breaks have a great deal of influence on Russia's entertainment market.

Table 1. Primary, secondary, and higher education school breaks in Russia

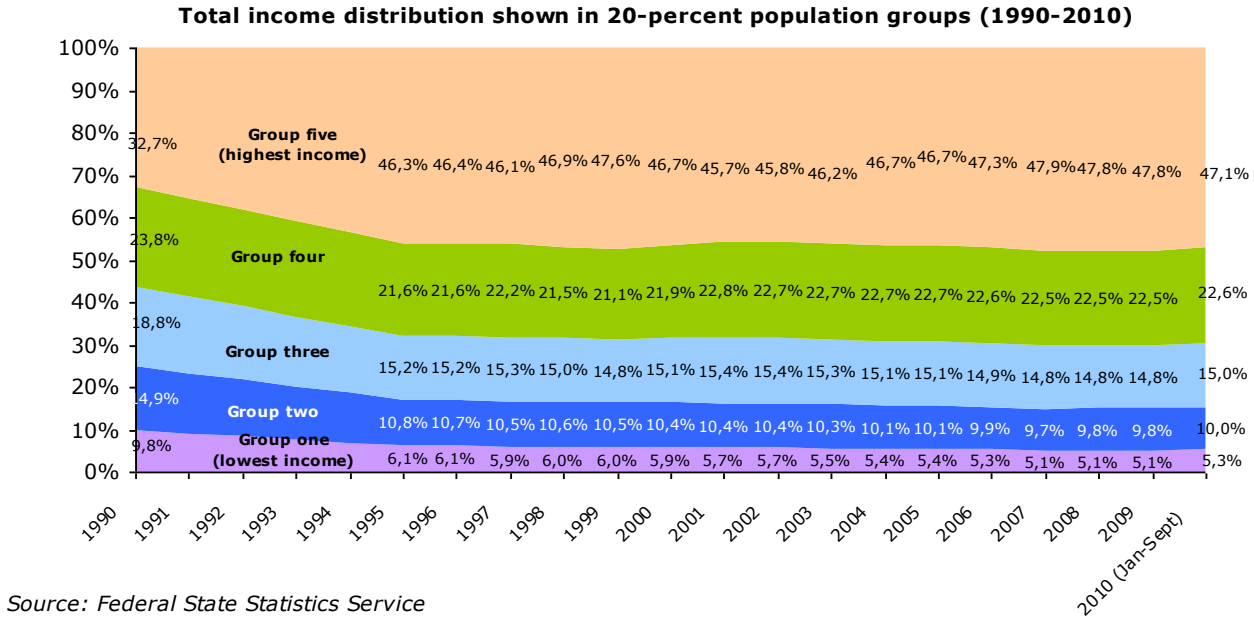
	autumn	winter	spring	summer
Primary school breaks	First week of November	First two weeks of January (often in addition to several days at the end of December)	Last week of March	From early June to 01 September
Higher education breaks	-	Last week of January and first week of February	-	From the end of June to 01 September

Economic factors

Stages of economic development of the RF (crises)

We will not dwell on the details of the Russian Federation's economic development. Instead, we'll focus on three crisis periods which had the greatest impact on the country's social life:

- period of transition to a free-market economy in the early 1990s using economic liberalization, development of foreign trade, and privatization of government enterprises. These reforms had extremely negative consequences. Economic liberalization triggered skyrocketing inflation, a wave of defaults on payments, depreciation of people's salaries, profits, and savings, rising unemployment, etc. Social ramifications also included a declining birth rate and increasing mortality, increased crime, population stratification based on income and living standard (Russia still lacks a robust middle class), etc.



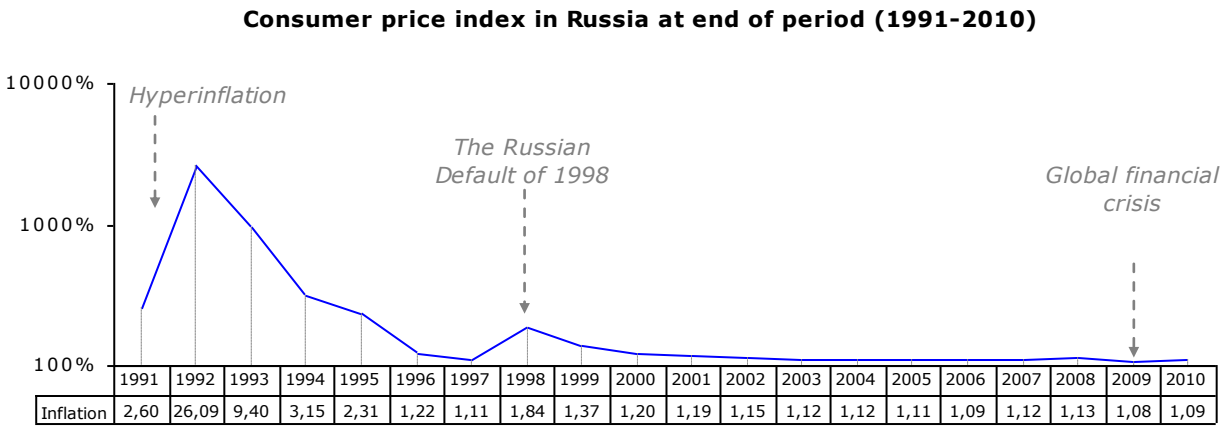
Source: Federal State Statistics Service

Figure 8. Total average national population income distribution, in 20-percent population groups (1990-2010)

- the Rouble Crisis of 17 August 1998, also known as the Russian financial crisis, was set off by the Asian financial crisis which had begun in July 1997. Countries which depended on the export of raw materials were hit hardest by the global drop in consumer prices. This included Russia, 80% of whose exports consisted of oil, natural gas, metals, and wood. As a result of the crisis, Russia defaulted on government securities, the rouble fell sharply, and Russia's population lost access to imported goods. We must also note that in 1998, the value of Russia's national currency fell by a factor of 1000;

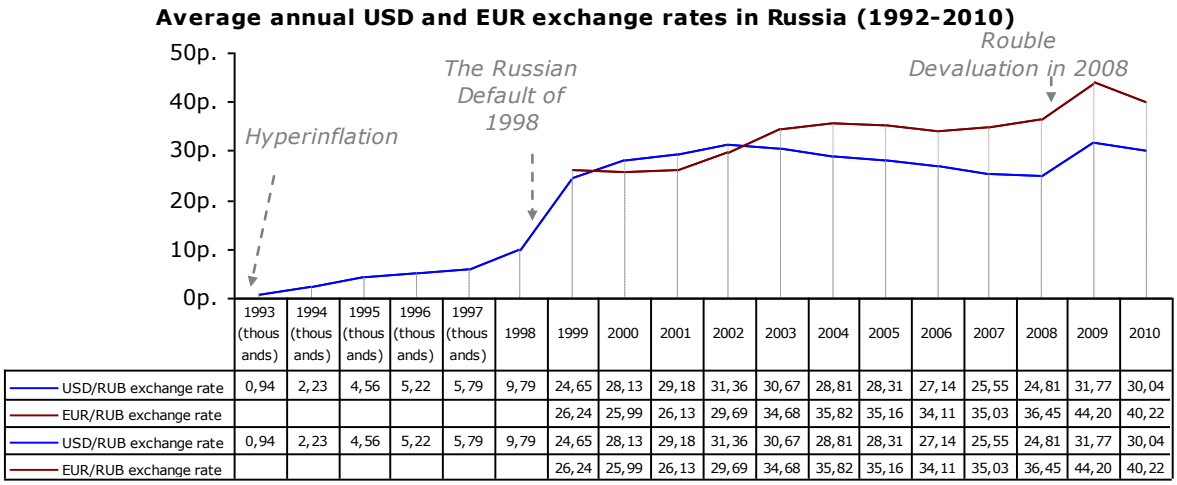
- fallout from the recent world financial crisis reached Russia's economy in late 2008, when the value of the rouble fell. By 2009, the country's economy began to feel a decline in consumption and production and personal incomes. The construction industry was hit hardest. Effects of the crisis were somewhat overcome in 2010.

The most dramatic reflection of these crises is the shift in the consumer price index and average annual currency exchange rate compared to the dollar and the euro.



Source: Federal State Statistics Service

Figure 9. Russia's Consumer Price Index (1991-2010)



Source: Central Bank of Russia

Figure 10. USD and EUR exchange rates in Russia (1992-2010)

Ranking by region in the RF

We must also note that Russia's geographical features have great influence on the socio-economic development of the country's regions. This influence is reflected in the regional statistics of the Federal State Statistics Service[7], as well as in investment attractiveness rankings, such as those compiled by Expert Rating Agency[8]).

December 2010 saw publication of the 15th annual regional investment attractiveness ranking for 2009-2010. It points to Moscow, St. Petersburg, and the Moscow Region as reigning investment potential leaders.

Table 2. Top 10 regions by investment potential and risk in 2009-2010

10 regions with maximum potential					
Region	**Federal District**	**2009-2010 ranking by potential**	**Changes in 2009-2010 ranking by potential, compared to 2008-2009**	**2009-2010 ranking by risk**	**Changes in 2009-2010 ranking by risk, compared to 2008-2009**
Moscow	Central	1	0	13	-7
St. Petersburg	Northwestern	2	1	4	0
Moscow Region	Central	3	-1	26	5
Sverdlovsk Region	Urals	4	0	51	-12
Krasnodar Territory	Southern	5	0	6	-4
Khanty-Mansi Autonomous Area (Yugra)	Urals	6	0	36	15
Republic of Tatarstan	Volga	7	0	15	-3
Krasnoyarsk Territory	Siberian	8	2	45	23
Perm Territory	Volga	9	-1	52	3
Nizhny Novgorod Region	Volga	10	-1	30	-6
10 regions with minimal risk					
Region	**Federal District**	**Ranking by risk in 2009-2010**	**Changes in 2009-2010 ranking by risk, compared to 2008-2009**	**2009-2010 ranking by potential**	**Changes in 2009-2010 ranking by potential, compared to 2008-2009**
Lipetsk Region	Central	1	0	42	-1
Rostov Region	Southern	2	1	11	0
Voronezh Region	Central	3	4	23	3
St. Petersburg	Northwestern	4	0	2	1
Tambov Region	Central	5	3	57	-1
Krasnodar Territory	Southern	6	-4	5	0
Penza Region	Volga	7	-2	44	3
Stavropol Territory	North Caucasian	8	8	26	-2
Kaluga Region	Central	9	8	39	0
Volgograd Region	Southern	10	3	22	-3

Source: Expert Rating Agency

[7] http://www.gks.ru/bgd/regl/B09_14p/Main.htm
[8] http://www.raexpert.ru/ratings/regions?sort=rating&type=asc

Legal framework for copyright in the RF

Since 01 January 2007, questions of copyright in Russia have been governed by Part IV of the Civil Code[9], part VII, "Rights to products of intellectual activity and branding resources" (chapters 69-77; articles 1225-1551; copyright is partially governed by chapter 70). Prior to this date, copyright was regulated by the law "On copyright and related rights" No. 5351-1 from 09 July 1993. Let us briefly summarize this legislation:

- objects protected by copyright in Russia include the results of intellectual activity and corresponding resources for the branding of legal entities, goods, works, services, and enterprises, including works of science, literature, and art relevant to this study, as well as terrestrial or cable television and radio broadcasts (article 1225);

- works of science, literature, and art are objects protected by copyright regardless of their merit and intended use, or the style of their expression. Moreover, copyright creation, realization, and protection does not require registration of the work or adherence to any other set of formalities (article 1259);

- audio-visual products (AVP) are works that consist of a series of interconnected still images (with or without audio accompaniment) and intended for visual and audio perception with the use of appropriate technical equipment (film productions, etc.) (article 1263).

- the author of the product of intellectual activity is a person whose creative effort has produced the product. He or she owns the copyright, as well as the right to the name and other personal non-property rights protected in perpetuity. The individual listed as author on an original or copy of a work of science, literature, or art, is the author of the work unless proven otherwise. Exclusive rights initially belong to the author, and can be contractually transferred by the author to any other individual (article 1228, 1257).

- the authors of an AVP in the RF are the director, screenwriter, and composer who created a musical piece (with or without words) specifically for the given AVP (article 1263). On the other hand, the producer - the person who manages the production of a complex work (including that of an AVP) - acquires the right to use the work based on agreements regarding transfer of exclusive rights or licensing agreements signed with exclusive rights holders (authors of the work or its parts) (article 1240). Each author of a work included in the AVP either maintains exclusive rights to his or her work (for example, a writer whose story serves as the basis for a screenplay) or transfers these rights to the producer (director of photography, production designer, etc.) (article 1263);

- exclusive rights entail the discretionary ability to use the results of intellectual activity in any manner not prohibited by law. In addition, the rights holder can authorize or prohibit other persons from using the given work, and other persons may not use it without the rights holder's agreement (article 1229). Uses of the work are: reproduction and production of one or more copies; distribution by means of sale or other transfer of originals or copies; public screening or public performance (live presentation of the work or any demonstration of the original or copy by technical means in a location open to the public or before a significant number of people outside the traditional family circle); import of the original or copies with intent to distribute; rental of the original or copies; public broadcasting via radio or television; public cable transmission; translation or other revision of the work; practical application of an architectural, engineering, or other design; wide publication of the work in a manner that gives any individual free access to the work from any location and at any time (article 1270);

- the term of validity of exclusive rights in Russia lasts for the entirety of the author's (or last surviving co-author's) life plus 70 years beginning from 01 January of the year following the author's death. For anonymous works and works published posthumously, the rights are valid for 70 years after publication (article 1281). Once the term of validity of exclusive rights to a work of science, literature, or art, expires, the work enters the public domain. This means the work can be freely used by anyone, without agreement or permission, and without paying royalties (article 1282);

- the transfer of exclusive rights can be carried out on the basis of a transfer agreement or licensing agreement. In the first case, the acquirer receives full exclusive rights from the rights holder. This method is used when the author must transfer rights to a complex work (which includes several protected objects) to the manufacturer or producer (articles 1234, 1285). In the second case, rights are not transferred in full, but rather in the manner and within the limits set out in the licensing agreement. This type of agreement is required to indicate the territory within which the agreement is in force (otherwise, the agreement is assumed to be in force on the

[9] Part IV of the Civil Code was ratified by Federal Law No. 230-FL on 18 December 2006

territory of the Russian Federation), term of validity of the license, which cannot exceed the term of validity for the exclusive right (if term of validity is not specified, it is considered to be exactly five years), and methods of application of the work (article 1235);

- a licensing agreement can give the licensee the right to use the work while the licensor retains the right to grant the license to other parties (open or non-exclusive license) or loses such right (exclusive license). If not specified, the license is considered *non-exclusive* (article 1236). The licensee is required to provide the licensor with reports regarding use of the work for the entire term of validity of the licensing agreement (following a specific schedule or on demand). If the licensee fails to fulfil the terms of royalty payments or terms of use of the work, the licensor may unilaterally dissolve the agreement and demand payment of damages (article 1237). Upon written agreement by the licensor, the licensee has the right to give permission to use the work to another party (sublicensing agreement). The rights, term of validity, and coverage territory of such sublicensing agreement cannot exceed the conditions delineated in the licensing agreement (article 1238). The licensing agreement is concluded in writing, and indicates the amount of royalties in the form of fixed one-time or recurring payments, percentages of profits (earnings), etc. The government of the RF has the right to set minimum royalty rates for certain uses of works (article 1286);

- exclusive rights are protected by the following requirements: recognition of the right; prevention of unlawful activities; payment of damages; seizure of the physical medium, or publication of a court decision regarding the committed violation with indication of the legal rights holder. While demanding payment of damages, the rights holder is not required to show proof of their amount. In place of damages, the rights holder may demand compensation. The amount of compensation is determined by the court within the limits of common sense and justice, and can vary between RUB 200 000 and RUB 5 million, or double the cost of copies or licensing rights of the work (articles 1252-1254, 1301).

Official holidays

In closing, we'd like to note the holidays and dates that significantly impact Russia's social life. The most popular holidays are the official days off, which are approved each year by the government of the RF. The list of non-working holidays in Russia was last revised in 2005.[10] Great numbers of Russians also celebrate many state holidays that fall on workdays. Traditional cultural holidays have a special significance. Various professional holidays do not go unnoticed. Religious holidays, especially those celebrated by the Christian Orthodox Church, also affect Russia's social life.

Table 3. Holidays and memorial days which impact Russia's social life[11]

Date (2011)	Name of holiday	Description	Year first celebrated in Russia
01 Jan	**New Year**	**New Year's Eve celebrations the night of 31 December - 01 January; mass open-air celebrations, feasts, school break.**	**1700**
02-06 Jan	**New Year school break**		**2005**
07 Jan	The Birthday of Christ (Christmas)	Christian holiday in honour of the birth of Jesus Christ. This holiday is less popular in Russia than either the secular New Year or the Orthodox Easter. Traditionally celebrated with caroling, church services, and feasts.	- (day off since 2005)
07-18 Jan	Sviatki	The Sviatki, from the Russian *sviatye dni*, or 'holy days', are the 12 days between the birth and the baptism of Christ. A tradition inherited from the ancient Slavic culture, dating back to Russia's pre-Christian past, says that this is the perfect time for fortune-telling.	-

[10] Federal law No. 201-FL "On changes to article 112 of the Labour Code of the Russian Federation" from 29 December 2004.

[11] Legend:

*	date of holiday changes every year
days off	official days off
type of holiday	state holidays cultural holidays professional holidays religious holidays
type of celebration	**overall type of celebration** traditionally celebrated by part of the country's population *usually not accompanied by large-scale celebrations*

Date (2011)	Name of holiday	Description	Year first celebrated in Russia
14 Jan	Old New Year	This tradition harks back to the Julian calendar used in Russia until 1918. The Russian Orthodox Church continues to celebrate all church holidays using the old (Julian) calendar. The holiday is popular, though not widely celebrated, since it often falls on a workday.	-
19 Jan	Baptism of the Lord (Epiphany)	Christian holiday in honour of the baptism of Jesus Christ by John the Baptist in the Jordan River. In Russia, the night of the Epiphany is the time to consecrate water. Many people take this occasion to go for a swim in an ice hole, while the faithful attend church services.	-
25 Jan	Students' Day (Tatiana's Day)	Began as the founding date of the Moscow State University: it was on this date that the order to build it was signed. Later, the day evolved into a holiday in honour of students. Coincides with the beginning of secondary and post-secondary school break.	1755
14 Feb	Saint Valentine's Day	Catholic holiday, secular in Russia. In recent years, this holiday has grown in popularity among Russians.	mid '90s
23 Feb	**Defender of the Fatherland Day**	**Originally established in the USSR as the Red Army and Navy Day. After the collapse of the USSR, the holiday lives on in many CIS countries. Due to the widespread stereotype that only men can be full-fledged "defenders of the Fatherland", the holiday is often presented and celebrated as "Men's Day".**	**1922 (day off since 2005)**
28 Feb—05 Mar *	Maslenitsa	Maslenitsa, also known as Butter Week, Pancake Week, or Cheesefare Week, is the week before Great Lent (on the eve of Easter). This holiday goes back to pagan times. The celebration is a farewell to winter and a welcoming of spring. Maslenitsa's most recognizable popular tradition is the serving of bliny - traditional Russian pancakes - and street festivities.	-
06 Mar *	Shrove Sunday	First day of Great Lent. Orthodox Christians ask all friends and family members for forgiveness for past misdeeds, and visit church.	-
08 Mar	**International Women's Day**	**Holiday celebrated in many countries as "Women's Day". This holiday holds different meanings, from celebrating women's struggle for human and social rights, to honouring all women. This often leads to casual expressions of sexism.**	**1921 (day off since 1965)**
01 Apr	April Fools' Day	Unofficial holiday celebrated on the first day of April by most cultures. Traditionally, this is the day to play pranks on your friends, family, colleagues, and others.	1700
12 Apr	World Aviation and Cosmonautics Day	Holiday established to commemorate the first manned space flight, piloted by Soviet cosmonaut Yuri Gagarin. For Russia, this holiday holds special significance.	1961
14 Apr *	Palm Sunday	Christian holiday celebrated on the Sunday before Easter Week to commemorate the day Christ entered Jerusalem. Celebrated with consecrated pussy-willow branches and church services.	-
24 Apr *	Easter	The most ancient Christian holiday, this day honours the resurrection of Jesus Christ. For Orthodox Christians, this holiday is more important than Christmas. On Easter, the faithful paint and consecrate eggs, bake *kulich* (Russian Easter cake), and attend a special night-time church service.	-
01 May	May Day and Labour Day	In the USSR, the holiday was celebrated as the International Workers' Day, commemorated in 142 countries around the world. In Russia, this is traditionally the time of feasts and labour demonstrations. After the collapse of the USSR, the holiday's concept changed: now, many people use this day to greet the beginning of summer by going on a picnic.	1917
09 May	**Victory Day**	**This day celebrates the Soviet victory over Nazi Germany in the Great Patriotic War (World War II). Cities and countries throughout the CIS celebrate the holiday with Victory Day parades. The day is marked by veterans' gatherings, ceremonial events, and feasts.**	**1945 (day off since 1965)**

Date (2011)	Name of holiday	Description	Year first celebrated in Russia
01 Jun	International Children's Day	This day is marked by events advocating for the defence of children's right to an education, a normal upbringing, and a family. As part of celebrations, television and print media run special public service announcements, while municipal officials and children's entertainment organizations present holiday events.	1950
12 Jun	Russia Day	Originally celebrated as Russia's Sovereignty Day, the holiday marks the signing of the declaration of state sovereignty after the former Soviet republics, Russia among them, became independent in 1990. This obscure holiday is celebrated primarily only on the official level.	1992 (day off until 2005)
22 Jun	*Day of Remembrance and Mourning*	*Anniversary of the beginning of the Great Patriotic War (the day Nazi Germany attacked the Soviet Union). This day traditionally coincides with school graduation ceremonies. In 1941, graduating schoolchildren often enlisted in the army immediately after graduation.*	*1941*
08 Jul	National Family, Love, and Fidelity Day	Since 2008, this Christian Orthodox holiday in honour of Saints Peter and Fevronia has been officially adopted as an alternative to Valentine's Day. However, it has yet to be embraced by most of the population, and cannot compete with 14 February.	2008
31 Jul *	Navy Day	Celebrated on the last Sunday of July. One of the most popular and respectable holidays since Soviet times, this day remains a popular favourite. Port cities host water parades of military naval technology.	1939
02 Aug	Airborne Forces Day	This a traditionally boisterous holiday, celebrated by veterans and active service members of Russia's airborne forces. They don their uniforms and take to the streets for celebrations that often pose danger to civilians.	1930
22 Aug	*National Flag Day*	*The holiday celebrates the reinstatement of Russia's old flag - the so-called State Tricolour. The date is linked to the 1991 Soviet* coup d'état *attempt. This obscure holiday is celebrated primarily only on the official level.*	*1994*
27 Aug	*Russian Cinema Day*	*Professional holiday celebrating Russia's filmmakers and cinema fans. The date commemorates the first film screening in the Russian Empire in 1908, and the Russian Soviet Republic's Council of People's Commissars signed a decree nationalizing the film industry. Celebrated exclusively within professional circles.*	*1980*
01 Sep	Knowledge Day	This day traditionally starts off the new academic year. It's marked by ceremonies and student assemblies. Particular attention is lavished on first-year students as they are welcomed to their new schools.	1984
04 Nov	National Unity Day	This holiday was introduced as an alternative to 7 November. Historical justification for the holiday was found in the year 1612, when a volunteer army drove the Polish army from Moscow. This victory put an end to the Time of Troubles that had followed the death of Tsar Feodor I, son of Ivan the Terrible, and the collapse of the Rurik Dynasty. After the Polish army was driven from Moscow, a newly convened Grand National Assembly elected the new Tsar, Mikhail Romanov, ushering in the era of the Romanov Dynasty. This obscure holiday is celebrated primarily only on the official level.	2005
06 Nov *	Qurban Bairam (Eid al-Adha)	Muslim holiday celebrating the end of the pilgrimage in memory of the sacrificial offering made by the prophet Abraham. In Russia, practicing Muslims conduct ceremonies, sacrifice rams, and attend mosques.	-
07 Nov	Day of Accord and Reconciliation	Anniversary of the Great October Socialist Revolution on 7 November 1917 (25 October by the Julian calendar) was a state holiday in the USSR. It was still widely celebrated in Russia until 2004, though in 1996, the holiday was renamed to Day of Accord and Reconciliation "in the interests of mitigating conflict and promoting reconciliation of various parts of Russian society". The government has since cancelled the day off, but mass celebrations of the holiday continue.	1917 (day off until 2005)

Date (2011)	Name of holiday	Description	Year first celebrated in Russia
12 Dec	*Constitution Day*	*In 1993, a national referendum ratified the Constitution of the Russian Federation. For the next twelve years, this holiday held special significance to ordinary citizens as a day off. Today, this holiday is celebrated exclusively on the official level.*	*1994 (day off until 2005)*

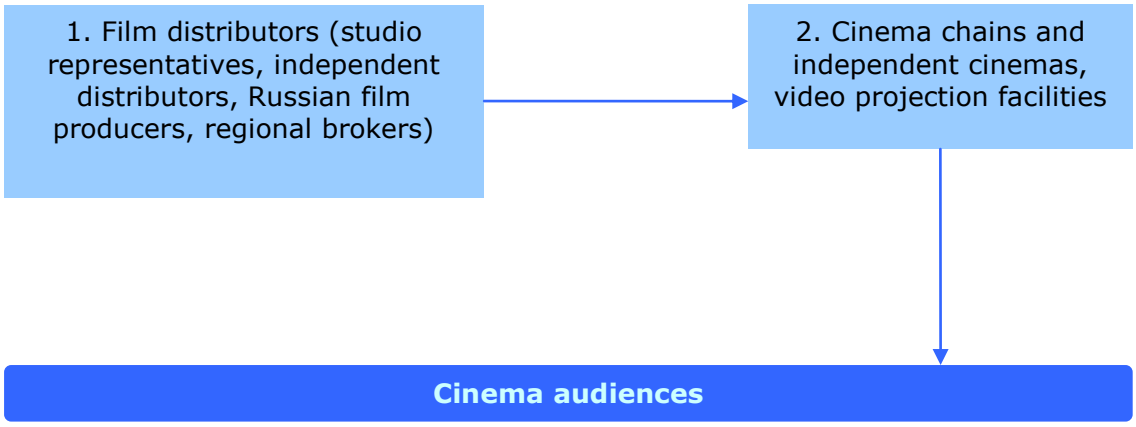
Sources: "Rossiya - proizvodstvennyy calendar na 2011" ["Russia: 2011 Production Calendar"] (http://www.calend.ru/work), Wikipedia

1. THEATRICAL FILM DISTRIBUTION

1.1 The overall structure of the Russian film distribution market

The theatrical film distribution market includes the entire public film screening system regardless of format, be it film, digital cinema package (DCP), or DVD and Blu-Ray.

The overall structure of this market in Russia can be summed up in the following diagram:



Thus, the theatrical film distribution market is two tiered:

Tier 1: film distributors (direct distributors and official Russian market representatives of major Hollywood studios, independent distribution companies, regional industry trade organizations, and, at times, filmmakers themselves) act as intermediaries between filmmakers and cinemas (wholesale buyers). Film distributors sign agreements, control the release process, compile paperwork and gather proceeds from cinemas, and are responsible for the film's promotion, the printing of copies, and logistics surrounding advertising and film products.

Tier 2: cinema chains (national chains with cinemas in several federal districts, regional chains operating in several regions within a single federal district, and local chains located within a single region; cinema chain operators, including franchises and cinema organizations with collaborative schedule planning; independent modern cinemas (with digital and 35mm projection); video clubs and screening rooms). These entities are directly involved in exhibiting films to viewers (retail).

1.2 Legal aspects of theatrical film distribution in Russia

1.2.1 Regulatory agencies governing the industry

Government agencies regulating theatrical film screening and distribution in Russia include:

- The Ministry of Culture of the Russian Federation[12] and its various departments:
  - The Department of Cinema issues National Film certificates which qualify certain films (Russian-made films or co-productions that satisfy a set of criteria) for government support and tax breaks, and enforces compliance with laws governing film and film production.
  - The National Film Registry (Gosregister[13]) oversees film distribution certificates for the public exhibition of audiovisual works on the territory of the Russian Federation and sets age restriction guidelines for films and videos. You can also use the Gosregister site to check whether any film released on the territory of the Russian Federation has a distribution certificate.
  - The State Film Fund[14] archives copyrighted copies of audiovisual works which have received distribution certificates.
  - The Main Data Processing Centre of the Ministry of Culture (MDPC[15]) has developed and maintains Electronic Cinema Ticket, a nation-wide universal

[12] http://mkrf.ru/ministry/struktura
[13] http://mkrf.ru/activity/register
[14] http://www.gosfilmofond.ru
[15] http://www.givc.ru

automated information system (UAIS) which compiles data collected from film screenings in cinemas.[16]

- In late 2009, the Federal Fund for Social and Economic Support of Russian Cinema (the Film Fund)[17] was given new responsibilities. Now, in addition to financing eight film production companies, the Fund will provide loans for the production, distribution, and screening of Russian films; attract Russian and foreign investors for the production, distribution, and screening of Russian films, and the development of financial & technical resources for Russian cinema production; ensure goal-oriented and efficient use of the financial resources issued by the Fund to business entities; study public opinion of film projects and other cinema-related events; and develop Russian cinema projects and programmes and finance their implementation.[18] In effect, the new Film Fund has been authorized to coordinate and finance a large-scale transition of cinemas (primarily independent cinemas in the country's small or remote cities) to digital projection technologies.
- Regional film and video organizations (FVO) are subdivisions of regional and municipal administrations (ministries, administrations, departments of culture) which handle film distribution and coordinate the management of cinemas in their jurisdiction. They operate in most regions of Russia, although they currently don't enjoy any measure of influence on state policies in cinematography. They use money set aside in local budgets to acquire copies of films or public video screening rights within their jurisdiction, acting as intermediaries between major Moscow-based distributors and local second- and third-run cinemas, most of which lack modern projection equipment.

1.2.2 Key legislation

The film distribution industry is governed by these key laws:

- Part IV of the Civil Code of the Russian Federation[19], which sets up the framework for copyright laws and *regulates the relationship between owners of rights to audiovisual works and their users*.

- Federal law No. 126-FL "On governmental support of cinema" from 22 August 1996, which *defines the basic conceptual framework of the film industry and sets out legal relationships between industry entities*. This includes the relationship between the government and film companies when it comes to government financing of production, distribution, and screening of Russian films.

- The Cultures of Russia federal programme (a second federal programme is currently underway, approved until 2011 by Governmental Regulation No. 740 from 8 November 2005) *designates domestic cinematic support measures aimed at increasing the share of Russian films distributed on the territory of the Russian Federation to 23%*. This includes financial support for film funds, film production, acquisition of foreign film stock; distribution support, including partial film printing support; promotion of Russian films abroad, and their participation in prestigious international film festivals and markets; organization of non-profit events to promote domestic cinema; research studies in the area of cinematography.

1.2.3 Basic legal framework, rights and restrictions

1) Distributors working on the territory of the Russian Federation must acquire *a distribution certificate to publicly screen an audiovisual product (AVP), including via cable television, and to independently reproduce films for sale, rent, or distribution via video rental and retail stores.*[20] Distribution certificates are issued by the Russian Film Registry of the Ministry of Culture's Department of Cinema. To receive a distribution certificate, you must submit the following documents:
   - an application to the Ministry of Culture (lately, you must also indicate a link to the film's entry in the http://www.imdb.com database);
   - proof of the applicant's right to use the audiovisual product (AVP) (for foreign-language documents, include a notarized Russian translation);

[16] http://ekinobilet.ru
[17] http://www.fond-kino.ru
[18] The Film Fund Charter was approved by Government Regulation No. 1215, "On the Federal Fund for the Social and Economic Support of Domestic Cinematography", on 31 December 2009.
[19] Ratified by Federal law No. 230-FL from 18 December 2006.
[20] Decree of the Council of Ministers of the Russian Federation No. 396 "On registration of films and video films and regulation of their public exhibition" from 28 April 1994.

- for foreign films, a copy of the customs bill of entry confirming that the foreign AVP can be legally imported into the Russian Federation[21];
- a copy of the film or a tape recording of the AVP which meets the relevant technical requirements[22], along with the film trailer;
- information about works used in the film (for domestic or co-productions);
- three notarized copies of the editorial script and a short summary of the film.

2) *Regulations on licensing in the sphere of public screenings were in effect in Russia between 1996 and 2006. These regulations have since been rescinded*, which has simplified the entry of new players onto the cinema market. At the same time, this has created some problems, limiting the options for dealing with film distributors who don't fulfil their responsibilities towards the film audience, the rights holders, or the government. Today, Russia has no effective oversight system that can enforce cinemas' adherence to film service standards or technical quality standards - not even to the fire safety regulations. Rights holders have no efficient recourse in case of copyright violations. This concerns primarily disputes over royalties for public performances of music, but also applies in cases of unsanctioned public film screenings without the rights holder's permission and without payment of royalties. Finally, not all cinemas comply with the mandatory film screening proceeds reports process (see below), and Russian law provides no leverage against these violators. All of these problems are normally resolved in court and traditionally result in fines. Only in rare instances are they effective in stopping violators.
3) A universal automated information system (UAIS) has been gathering data from cinemas across Russia since 01 May 2010, in accordance with Federal Law No. 375 "Amendments to the Federal Law 'On governmental support of cinema in the Russian Federation'" from 27 December 2009. *All film exhibitors are required to report every cinema ticket sold to the unified information system.* The exhibitor pays for the acquisition and use of this mandatory equipment. Operators can bid to provide maintenance of the system; this function is performed by the MDPC (the Main Data Processing Centre of the Ministry of Culture), and is paid for by budget allocations (in 2010, 6.8 million roubles were allocated for this purpose). The Government Decree "On the function of a universal automated information gathering system for cinema exhibition data gathering" was signed into effect on 22 October 2010. It defined the conclusive technical details of the system's functions and allowed cinemas in small towns (with populations of less than 100 thousand) to provide the data *in manual format* until 2015, while all other film complexes were required to establish online communication with the MDPC immediately. Nevertheless, the issue of compliance with this regulation will likely remain a problem in 2010. According to the November study by Nevafilm Research, of 50 film exhibitors (who currently own 52% of the country's cinemas), only 21% (owners of 54% of cinemas belonging to survey participants) were registered with the UAIS. In other words, only half of Russian cinemas (primarily cinemas belonging to major chains) are providing official statistics to the government.
4) The activities of cinemas in Russia are also regulated by Government Regulations No. 1264 "On adherence to rules regulating provision of film and video services to the public" from 17 November 1994 (*which includes technical quality requirements for screenings and viewers' comfort level, as well as requirement for the accuracy of information provided to viewers about the services offered by the given cinema*), and No. 359 "On the proper processing of cash transactions and/or payment card transactions without the use of cash register equipment" from 06 May 2008, and by Orders of the Ministry of Culture No. 231 "On approval of the strict accountability reporting form for the 'Electronic Cinema Ticket' program," from 08 December 2008, and No. 257 "On approval of the strict accountability reporting form" *(both of which define a list of mandatory requirements for printing a cinema ticket as a form of*

[21] Satellite delivery of digital content remains unregulated by law. In practice, however, instead of a customs bill of entry, applicants include a screenshot from the server which broadcasts the data in their distribution certificate application package as proof that the content has been uploaded by a Russian rights holder.
[22] Copies of films which have completed the registration process, along with copies of editorial scripts, are transferred to the Federal Film Archive of the Russian Federation without commercial screening rights. However, copies may be borrowed for informational, research, academic, or cultural purposes (for example, festival screenings) in accordance with the regulation "On short citation" set forth by article 1274 of part IV of the Civil Code.

strict accountability reporting, enabling ticket sellers to forego issuing receipts to viewers).

1.2.4 Mandatory fees and tax incentives

1) Mandatory fees related to film distribution in Russia are government taxes levied upon receipt of a distribution certificate (currently, RUB 2000).
2) Importers of blank audiovisual media into the Russian Federation must also pay a customs duty in the amount of 10% of the customs value of film and other materials (including magnetic tapes and digital formats).[23] Russian film distributors note that this requirement is a burden on art house films. These films often play in limited release (up to 20 copies), and customs duties make up a significant part of their film release expenses and reflect heavily on profits. At the same time, Russia has a tax break in the form of duty-free import of films slated for exhibition at film festivals and other cultural events[24] - in other words, in circumstances similar to limited release.
3) Russian film entrepreneurs are exempt from paying the value-added tax on the distribution and exhibition of films certified as National Films.[25]
4) Cinemas are also not required to pay VAT on ticket sales[26] for screenings of films with or without the National Film status.
5) Paragraph 3, Article 1263, Part IV of the Civil Code gives composers whose music is used in films the right to receive royalties for the public screening or broadcast (terrestrial or non-terrestrial) of these AVP. The minimum compensation for the use of music, with or without text, during commercial film, television, and video screenings in cinemas, on television, in video clubs, or in other public places, is 3% of profits, and during free screenings - 0.5% of profits.[27] The cinemas pay this compensation to an accredited organization (currently, the Authors' Association of Russia).[28] This requirement is included in licensing contracts signed by distributors and film screeners. The minimum royalty amounts are set by the Government of the Russian Federation.[29] However, this rule is the source of constant objections from Russian cinemas, which are negotiating with distributors and film producers, as well as with government agencies, to deny composers the right to such additional compensation, or at the very least, to lower the royalty fees to 1.5% and to share the burden of these fees with the distributor organizations. So far, these lobbying efforts have been unsuccessful. Meanwhile, Russia regularly sees court cases between the Authors' Association of Russia (AAR) and regional cinemas charged with failure to pay royalties to the authors of music used in foreign films. Such cases are often decided in the AAR's favour, although the Salute cinema in Yekaterinburg recently managed to win a court dispute, successfully proving that the composers of Hollywood films *Avatar*, *Ice Age 3*, and *Madagascar 2* had not given the AAR the mandate to collect royalties on their behalf.[30] This has been a central issue for two Russian film screening unions: the non-profit Kinoalliance and the non-profit Strategy Kino. The former is in the process of gaining approval for lowering royalties to 0.25% of total yield remaining after the film breaks even (and to 0.15% if the film is screened in 3D)[31], while the latter is advocating for the complete abolishment of this regulation.[32]
6) Other tax deductions enjoyed by Russian cinemas include tax exemptions for assets used in film screening ventures, if these assets are used for authorized purposes

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[23] "A universal customs tariff for the Republics of Belarus, Kazakhstan, and the Russian Federation" approved by Rulings of the Eurasian Economic Community's Customs Union Committee (the Customs Union's governing body) No. 18 from 27 November 2009 and No. 130 from 27 November 2009 specifically for Group 37 of the Customs Code.
[24] In accordance with Paragraph 5, Article 150, Section 21 of the Tax Code of the Russian Federation, import of all film content by specialized governmental organizations as part of international non-commercial exchanges is exempt from customs duties.
[25] Paragraph 21, Article 149, Section 21 of the Tax Code of the Russian Federation.
[26] Paragraph 20, Article 149, Section 21 of the Tax Code of the Russian Federation.
[27] Decree No. 218 of the Government of the Russian Federation "On Minimum Royalty Rates for Certain Types of Literature and Art Use" from 21 March 1994.
[28] http://rao.ru
[29] Paragraph 4, Article 1286, Part IV of the Civil Code.
[30] Ксения Болецкая. Без права на «Аватар» // «Ведомости», №220/2738 от 22.11.2010 г. [Ksenia Boletskaya, "No Right to *Avatar*" in *Vedomosti*, No. 220/2738 from 22 November 2010.
[31] The Kinoalliance non-profit partnership project // "Data Analysis for the Kinoalliance non-profit Cinemas," 2010.
[32] The Strategy Kino non-profit partnership project // *Kinomekhanik*, electronic print release No. 19, 02 June 2010.

(film screenings).[33] Otherwise, the tax is set at 2% of asset value listed on the company's balance.

7) A data analysis programme "Promotion and development of small and midsized businesses in the sphere of culture for 2010-2012" implemented by the Ministry of Culture of the Russian Federation[34] provides a development stimulus incentive for small film screening businesses starting in 2010. This measure will offer refunds for interest on bank credits used by small and mid-sized businesses to finance the construction of digital film screening facilities as part of a programme by the Ministry of Economic Development of the Russian Federation. This may include the construction and repair of buildings and spaces that will serve as digital cinemas, and the purchase of cinema equipment. However, the results of this programme are yet to be released.
8) So far, Russia lacks other means of supporting digital exhibition, although some organizations are working to remedy this. Among them, the non-profit partnership Kinoalliance has submitted a plan to the government which proposes a five-year moratorium for duties on imported digital film projection equipment. The Ministry of Culture threw its support behind the proposal. As of early winter 2010, this proposal is under consideration by the Ministry of Economic Development.

1.3 Development history of the film distribution market

Russia's current cinema infrastructure began to take shape in the late 1980s and early 1990s. By 1991, the market saw the appearance of companies representing the Hollywood majors (East-West representing MGM, United Artists, Paramount, and Universal; Sovexportfilm-Kinoton representing 20th Century Fox). However, pirate video was spreading through the country at an incredible rate and in May 1991 the Motion Pictures Association of America (MPAA) responded by announcing an embargo on the exhibition of films by Hollywood majors in Russia. The consequences of that decision turned out to be catastrophic for legal film distribution in Russia. Not only American, but also European films stopped coming to Russia. Pirate exhibition of 35mm prints of extremely low quality began and video piracy thrived. The embargo was lifted only in 1993, thanks to the efforts of legal Russian film distributors. However, by that time the system of film exhibition was already disintegrating, and cinemas started to be converted *en masse* into retail malls. By 1997, the level of cinema admission in the country had dropped to an all-time low - 0.25 visits per person per year. Russian film distribution started to recover in the mid-1990s with the rehabilitation of the country's film exhibition infrastructure. We can identify three main phases in the development of this market in Russia:

Phase I (1996–2002). The first step towards market regeneration came in 1996, with the opening of Kodak-Kinomir, the first Western-style cinema, in Moscow. The cinema offered soft seats, a concessions stand, and Dolby sound. 1998 saw the revival of the film distribution sector. People packed even the outdated cinemas to see *Titanic*, proving that it was possible to rekindle interest in cinema-going among Russian audiences. The revitalized market was characterized by the monopoly of modernized cinemas on film distributors and cinemagoers. Each cinema complex featuring multi-channel sound and soft seats enjoyed enormous popularity with a public ready to pay any price for a cinema ticket, while distributors fought each other tooth and nail for a chance to show their films in modern cinemas. Renovation of old Soviet cinemas drew strong support among investors. Cinemas were outfitted with modern sound systems, concession stands, and new seating. Meanwhile, the number of screens and the number of seats generally remained unchanged, since such renovations required bigger investments and were not essential to meet market demand.

It was during this phase that the Russian exhibitor-distributor business relationship model took shape. In this model, gross box office receipts are split 50/50 between the players. This system still operates in Russia, alongside other options like minimum guaranteed exhibition payments and lump sum sales of exhibition rights (sometimes along with a film print). Such important components of the modern film distribution system as Russia's quarterly film marketplaces, held in Moscow in March and December and during the Kinotavr film festival in Sochi in June, also emerged during this phase.[35] In September, the marketplace is succeeded by

[33] In accordance with Paragraph 7, Article 381 of the Tax Code of the Russian Federation, organizations are exempt from taxes on facilities used in the social/cultural sphere, for the benefit of culture and art, education, physical education and sports, healthcare, and social welfare.
[34] Approved by Order No. 144 of the Ministry of Culture of the Russian Federation from 22 March 2010.
[35] http://www.kinorinok.ru

the Kino Expo and Forum in St. Petersburg.[36] Cinema schedule rollover was set for Thursdays (though some major films may be released on Wednesdays).

Phase II (2003–2007). The year 2003 marked the end of the era of cinema renovations. At this stage of development, the market trend was towards building multi-screen cinemas inside retail and entertainment centres. Meanwhile, renovations of Soviet cinemas continued, but now, owners (or tenants) tried to get rid of large, thousand-seat cinemas typical of the Soviet era, converting these properties into miniplexes. This resulted in a sharp increase in the number of screens in the country. Competition between film exhibitors increased. Ticket prices fell; cinema shortage receded, while distributors' positions became considerably stronger. Cinemas began competing for blockbuster films and prime distribution conditions.

The second phase also saw mass creation of major regional and national cinema chains. The lucrative film exhibition business started attracting non-specialized market players – shopping centre developers who started opening cinemas on their premises and under their own management. Gradually, the principal film markets of Russia's two largest cities, Moscow and St. Petersburg, approached saturation, as demonstrated by increasingly frequent closures of modern cinemas that had fallen victim to competition. Operators of large chains began considering regional expansion. By 2007, nationwide cinema chains operated multi-screen cinemas in most major regional centres with a population over one million.

2004 is also considered a milestone for Russian film distribution. The release of feature film *Nochnoy dozor [Night Watch]* on 27 June heralded in two new market trends. First, from this point on, domestic films began to stake a serious claim to Russian distribution leadership: for the first time since the fall of the USSR, a Russian film topped the box office throughout the CIS. Secondly, this sharp increase in the popularity of Russian blockbusters and overall cinema admissions was boosted by backing from a national TV channel. Along with continuously showing film trailers, it supported the film in the longer run by showing news features on its success in cinemas, programmes detailing its production, interviews and talk shows with the actors and the director, and so on.

In 2006, representatives of major Hollywood studios started entering the Russian market directly. This was evidence of the Russian market's crucial place in the world's film industry, and a sign that Russian films were becoming more competitive. Representatives of major studios even began releasing large Russian projects.

In 2006, the groundwork was also laid for the "digital revolution" in Russian distribution. The first digital screen opened in St. Petersburg's Zanevsky Kaskad cinema in October, and December saw the first digital release (*Night at the Museum*, distributed by 20th Century Fox-CIS).

Phase III (2008 to the present). The current phase of film market development in Russia is characterized by tough competition and the domination of large players over smaller, independent ones. The ability of larger players to exert pressure through their strong film repertoire or large network of cinemas allows them to disregard the opinions of their less influential counterparts. Releases from the major studios and widely advertised Russian blockbusters enjoy heightened demand from cinemas, which are ready to make any concessions to the distributor. Independent distributors often have a very hard time placing their films in cinemas. They often have to give in to exhibitors' demands over the number of screenings and exhibition periods, and sometimes even over their share of box office receipts. This situation infringes on the rights of smaller exhibition and distribution companies, preventing them from earning the income they might have earned had the parties been on an equal footing, and inhibits their development and the expansion of a network of independent players. The current state of the digital cinema network doesn't help the situation. 3D films and blockbusters from the major studios dominate the digital screens, though alternative content has been gaining ground in digital cinemas since 2009.

Regardless, Russian cinema admissions continue to increase, driven by two major factors: growing geographical coverage by cinema chains and the revival of the cinema-going culture - a habit lost during the 1990s. The level of film consumption in Russia in 2010 was 1.1 trips to the cinema per person per year - or, adjusted for the number of residents in cities that have modern cinemas, 2.1 trips. At the same time, the principal factor in Russia's growing box office receipts over the last few years remains an increase in the average single ticket price in both RUB and

[36] http://www.kinoexpo.ru

USD (with the exception of 2009, when, due to devaluation of the rouble, the average dollar price decreased while the rouble price remained practically unchanged).

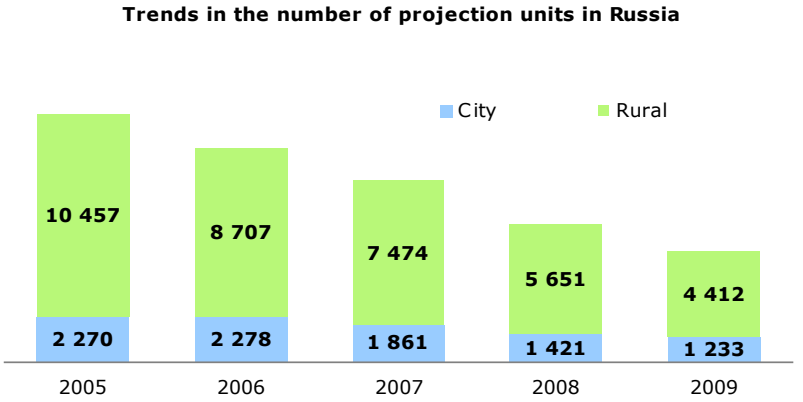
The global financial and economic crisis of 2009 had a negative impact on all aspects of Russia's film industry. The volume of feature and made-for-TV film production dropped, and mergers began in film production, among production companies, and in distribution, including the advent of new, vertically integrated structures. Plans for the construction of new film studio complexes across the country ground to a halt. Film exhibition market growth slowed, and a major shift took place in cinema chain development, which went from "extensive" (directed at opening cinemas in new regions and cities) to "intensive" (which happened primarily at the expense of installation of digital film projectors in existing cinemas and remodelling and renovations of existing cinemas). The modern cinema market's strong dependence on commercial real estate also had an adverse effect on market growth in 2009. Due to the financial crisis, many plans for the construction of new REC were postponed or cancelled altogether, slowing down the rate of growth of new screens. This had a significant impact on the cinema market because these shopping centres house the majority of Russia's multiscreen cinemas. Overall, the majority of Russia's functioning cinemas are still single- or two-screen cinemas, although altogether they only account for a third of the country's modern cinemas.

1.4 Current market status[37]

1.4.1 Film distribution infrastructure – exhibition

We use the term 'modern cinema' to mean a cinema that runs regular commercial film screenings using 35mm film or digital projection, has multi-channel sound systems and comfortable auditoriums. Film tickets and concession sales remain principal sources of revenue for the owners of these facilities. Cinemas like these play a leading role in Russia's modern film exhibition market.

At the same time, national statistics define the principal market unit as a 'film projection unit' – a rather vague term for a cinema or screen, whose meaning is freely interpreted by local cinema authorities who report the number of projection units to the Ministry of Culture of the Russian Federation. According to official data, in 2009, the country had 5,645 film projection units (1,233 in cities and 4,412 in rural areas). However, Nevafilm Research experts believe these rural film projection units to play a highly insignificant role in the Russian film market, since many are either not operational or run just a few screenings a week at symbolic prices of RUB 5-10 per ticket. Furthermore, analysis of the list of cinemas operating in cities as of 2008, presented by the Ministry of Culture, revealed the number of truly modern metropolitan screens (which are included in the modern cinema database of Nevafilm Research) to be 865, in 360 cinemas. Thus, we can estimate the number of outdated but functioning cinemas in Russia's cities to be around 600-800. These cinemas also offer second- or third-run schedules. They work with regional film and video rental agencies and film funds, often using DVD projectors, and in the end, play only a minor role in the real film industry in Russia since they generate minimal revenues. The number of state-owned film projection units, in the meantime, has continued to decline steadily over the last few years: between 2004 and 2009, 58% of rural and 46% of urban film projection units were shut down.



Source: The Russian Federation Ministry of Culture

Figure 11. Trends in the number of projection units in Russia

[37] See also: *The Film Industry in the Russian Federation*. The European Audiovisual Observatory, September 2010.

Drive-in cinemas are also excluded from the total number of modern cinemas. This segment of Russia's market has been developing since 2002, when the first Kinodrom opened its doors in Moscow. Currently, the country has at least 6 locations of its kind. Along with the capital, drive-in cinemas function in Nizhny Novgorod, Perm, Naberezhnye Chelny, Kaliningrad, and Omsk. Most drive-ins are fitted with video projection equipment and operate only in the summer, screening films a few weeks or months after their premiere. Overall, the Russian climate precludes widespread development of these cinemas, and can lead to their closure.[38]

On the whole, the modern film exhibition market in Russia continues to expand, despite a slowdown in the rate of its growth caused by gradual market saturation (especially in large cities) and the worldwide economic crisis, which brought about a sharp drop in construction of retail and entertainment centres in 2009. According to Nevafilm Research, as of 01 December 2010, the country had 2,373 modern screens in 860 cinemas, with more than half (53%, or 30% of screens) featuring digital projection facilities.

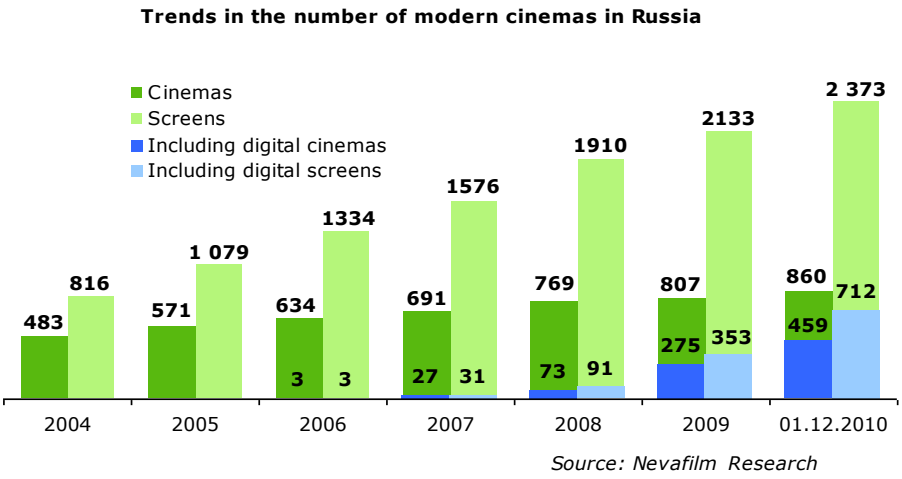


Figure 12. Trends in the number of modern cinemas in Russia

Until 2009, the annual increase in the number of modern screens had been 20-30%. According to last year's results, however, the market grew by only 12%, although 2010 also showed signs of recovery as the market grew by 11% over 11 months, and might approach 17% by the end of the year. We anticipate that by the end of December, Russia have around **2,500** screens in **865** cinemas. Recent growth in the Russian film exhibition market has been driven by the expansion of major cinema chains into other regions, along with the development of combined retail and entertainment centres.

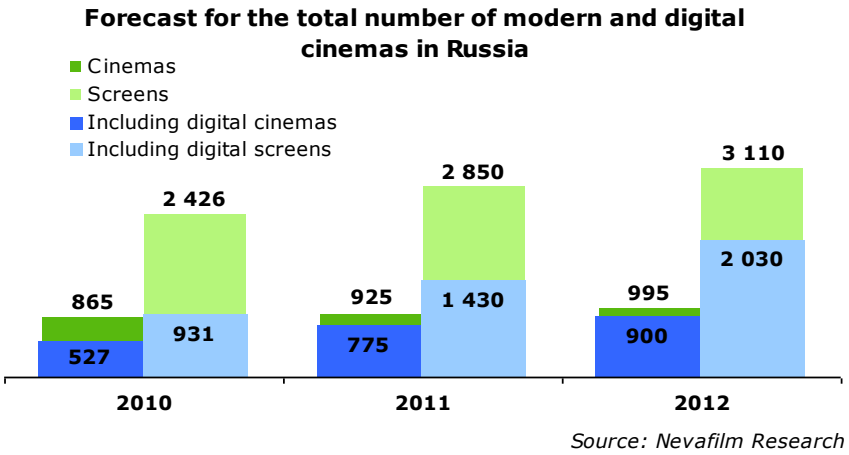


Figure 13. Forecast for the total number of modern and digital cinemas in Russia

[38] In August 2009, the Nochnoi Dozor drive-in cinema in Kaliningrad was equipped with a digital projection system, opening new horizons for this type of film exhibition in Russia, since it allows drive-ins to screen first-run films and offer alternative content to viewers.

By the end of 2008, most major regional centres had reached market saturation in terms of screen density per 100,000 inhabitants. Many cities with around a million inhabitants came close to, or even exceeded, the screen density of the country's most economically stable urban centres – the Moscow Metropolitan Area[39] and St. Petersburg. Meanwhile, cities with populations under 500,000 generate considerably less interest among cinema chains, and further expansion of the market into these new areas is unlikely.

Table 4. Cities with populations of at least 1 million, ranked by number of modern screens per 100,000 inhabitants (data as at 01 December 2010), Moscow Region = 100%

Rank as of 01 December 2010	Rank as of late 2009	City	Population (in thousands)	Number of cinemas	Number of screens	Number of screens per 100,000 inhabitants	% of screen density in the Greater Moscow Area
1	1	Yekaterinburg	1,332.3	16	76	5.70	127%
2	2	Kazan	1,130.7	11	54	4.78	106%
3	3	St. Petersburg	4,581.9	44	212	4.63	103%
4	**4**	**Moscow Region**	**11,529.8**	**119**	**519**	**4.50**	**100%**
5	5	Novosibirsk	1,397.2	16	62	4.44	99%
6	5	Ufa	1,024.8	8	41	4.00	89%
7	8	Samara	1,134.7	8	42	3.70	82%
8	7	Chelyabinsk	1,093.7	8	33	3.02	67%
9	9	Rostov-on-Don	1,049.0	8	30	2.86	64%
10	10	Omsk	1,129.1	8	32	2.83	63%
11	11	Nizhny Novgorod	1,272.5	12	26	2.04	45%

Source: Nevafilm Research

Currently, 27% of modern cinemas and more than half of modern screens in Russia are located in retail and entertainment centres (RECs).

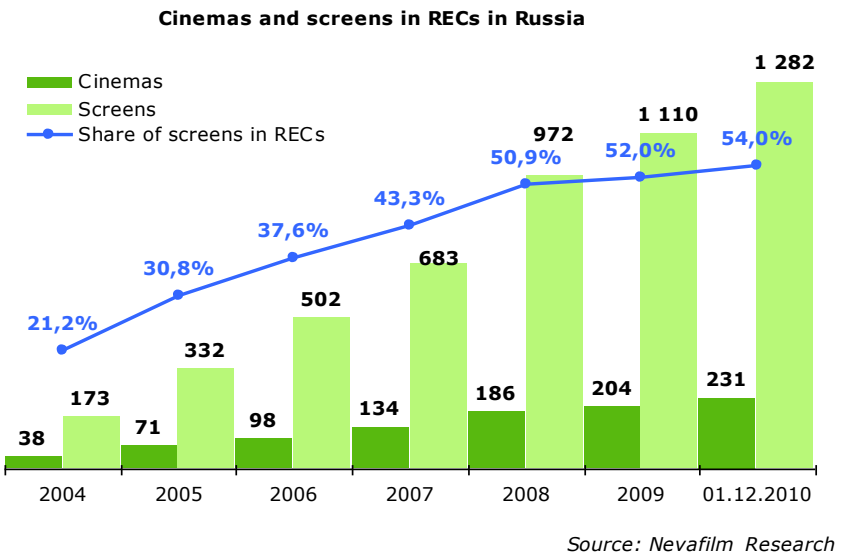


Figure 14. Cinemas and screens in RECs in Russia

In 2000, Moscow's Karo 1 four-screen cinema became the first cinema to open in an REC. Retail centres were also the location of choice for the first Russian multiplexes (the nine-screen

[39] Nevafilm's researchers concluded that confining calculations to the administrative borders of the territory of Moscow reflects negatively on the Moscow film exhibition sector. The Nevafilm specialists then defined the boundaries of the Moscow Region (Greater Moscow) to include communities immediately adjoining the Moscow ring road (MKAD). Next, the number of residents of the Moscow urban area was calculated, and the number of screens was recounted. The Moscow Region includes the following communities in the immediate vicinity of Moscow: Barvikha, Vidnoe, Dzerzhinsky, Dolgoprudny, Kotelniki, Krasnogorsk, Lyubertsy, Mytishchi, Odintsovo, Reutov, and Khimki. As of the end of 2009, the total population of the region was 11.5 million.

Formula Kino cinema opened in Moscow in 2002), and in 2003, Russia's first IMAX cinema also opened in an REC. In some cities, the modern film exhibition market has been possible due to cinema chains' expansion into retail centres. For example, in 2004 alone, St. Petersburg saw its market double due to large-scale openings by the Kronverk Cinema chain, which opened four multi-screen cinemas (26 screens) in various RECs.

As of 2010, as much as 70-90% of cinema screens in Moscow, St. Petersburg, and other major urban areas are located in retail centres.

Table 5. Top 10 cities, ranked by number of cinemas in retail-entertainment centres (REC) (data as at 01 December 2010)

No.	City	Number of cinemas located in RECs	Number of screens in RECs	Percentage of city's cinemas located in RECs	Percentage of total number of screens located in RECs
1	Greater Moscow area	52	360	43.7%	69.4%
2	St. Petersburg	26	170	59.1%	80.2%
3	Novosibirsk	7	50	43.8%	65.8%
4	Kazan	5	42	31.3%	67.7%
5	Yekaterinburg	7	41	63.6%	75.9%
6	Samara	5	37	62.5%	88.1%
7	Ufa	5	31	62.5%	75.6%
8	Volgograd	5	28	71.4%	87.5%
9	Tolyatti	5	25	62.5%	89.3%
10	Krasnodar	4	25	44.4%	73.5%
Total for given cities		**121**	**809**	**49.2%**	**73.5%**
Total in Russia		**231**	**1,282**	**26.9%**	**54.0%**

Source: Nevafilm Research

However, the modern cinema market's strong dependence on commercial real estate had an adverse effect on growth in 2009. Due to the financial crisis, many plans for the construction of new RECs were postponed or cancelled altogether, slowing down the rate of growth of new screens. This had a significant impact on the cinema market because these shopping centres house the majority of Russia's multiscreen cinemas.

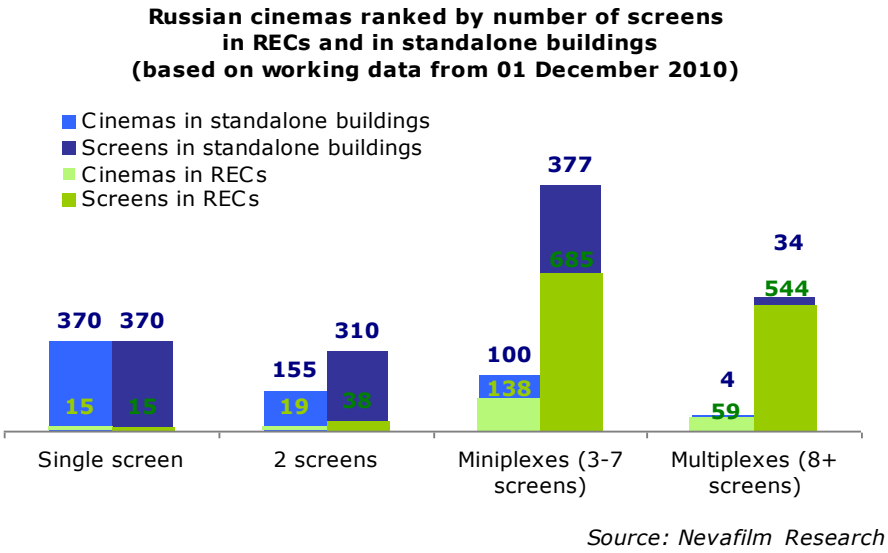


Figure 15. Russian cinemas, ranked by number of screens in RECs and in standalone buildings

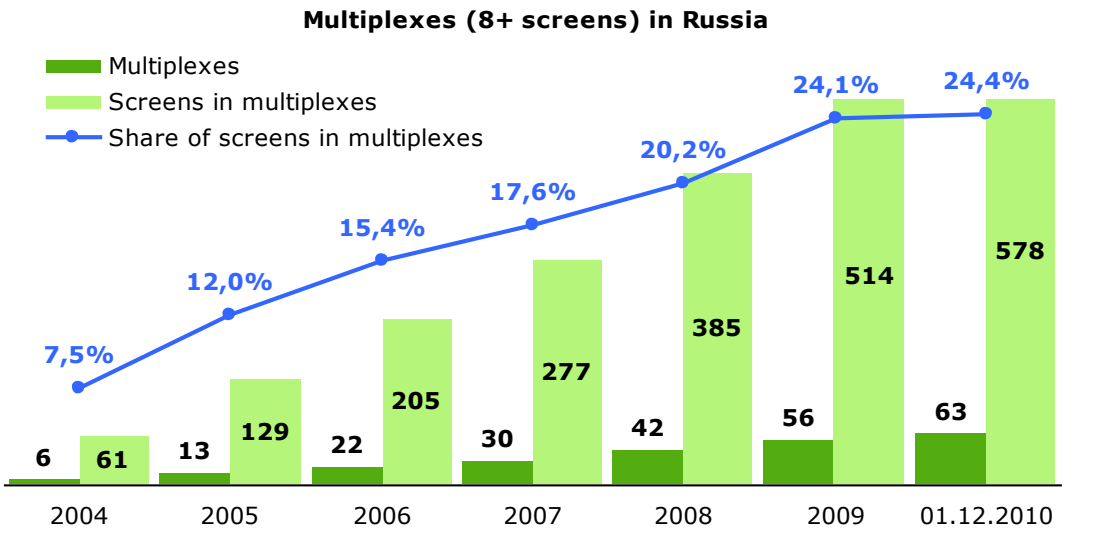
In Russia, the majority of functioning cinemas is still single- or two-screen cinemas (45% and 20% of cinemas, respectively). Nonetheless, these sites make up only 31% of the overall number of modern screens in the country. While the less common miniplexes (with 3 to 7 screens—28% of Russia's current cinemas) and multiplexes (8 or more screens—7% of cinemas) account for 69% of modern screens nationwide.

Table 6. Distribution of modern cinemas by number of screens (data as at 01 December 2010)

Number of screens per cinema	Number of cinemas	Number of screens	Market share by number of cinemas	Market share by total number of screens
Single screen	**385**	**385**	**44.8%**	**16.2%**
2 screens	**174**	**348**	**20.2%**	**14.7%**
3 screens	67	201	7.8%	8.5%
4 screens	78	312	9.1%	13.1%
5 screens	33	165	3.8%	7.0%
6 screens	36	216	4.2%	9.1%
7 screens	24	168	2.8%	7.1%
Total for MINIPLEXES (3-7 screens)	**238**	**1,062**	**27.7%**	**44.8%**
8 screens	29	232	3.4%	9.8%
9 screens	17	153	2.0%	6.4%
10 screens	8	80	0.9%	3.4%
11 screens	2	22	0.2%	0.9%
12 screens	4	48	0.5%	2.0%
14 screens	2	28	0.2%	1.2%
15 screens	1	15	0.1%	0.6%
Total for MULTIPLEXES (8+ screens)	**63**	**578**	**7.3%**	**24.4%**
Total in Russia	**860**	**2,373**	**100.0%**	**100.0%**

Source: Nevafilm Research

Note that as of 2010, the share of multiplexes in the total number of modern screens in Russia has increased at a rate of at least 3% a year. This can also be explained by the economic crisis: as construction ground to a halt on many projected retail and entertainment complexes that included cinemas, free-standing cinemas (usually with just a few screens) continued to renovate and modernize. It was these openings that drove the market in 2009-2010, influencing the share of multiplexes in Russia.



Source: Nevafilm Research

Figure 16. Multiplexes (8+ screens) in Russia

The majority of cinemas with eight or more screens are in the Moscow area (24 cinemas with a total of 237 screens). St. Petersburg has only a third as many multiplexes (eight cinemas with 75 screens). Yekaterinburg leads in the number of multiplexes among regional megapolises, with four multiplexes totalling 37 screens. Other large Russian cities with populations over 500,000 have between one and three multiplexes.

Table 7. Distribution of multiplexes by Russian cities (data as at 01 December 2010)

City	Population (thousands)	Number of cinemas	Number of screens
Greater Moscow area	11,529.8	24	237
St. Petersburg	4,581.9	8	75
Yekaterinburg	1,332.3	4	37
Novosibirsk	1,397.2	3	30
Chelyabinsk	1,093.7	3	25
Samara	1,134.7	3	24
Kazan	1,130.7	2	17
Rostov-on-Don	1,049.0	2	17
Perm	985.8	2	17
Krasnodar	710.7	2	16
Ufa	1,024.8	1	9
Izhevsk	611.0	1	9
Orenburg	524.4	1	9
Nizhny Novgorod	1,272.5	1	8
Omsk	1,129.1	1	8
Volgograd	981.9	1	8
Krasnoyarsk	947.8	1	8
Tolyatti	720.3	1	8
Tyumen	570.3	1	8
Naberezhnye Chelny	507.9	1	8
Total number of multiplexes in Russia		**63**	**578**

Source: Nevafilm Research

As Russian cinema chains expand, the Russian population continues to see increasing access to modern cinemas. As at 01 July 2009, saturation of screens per 100,000 urban residents was 1.9, which increased to 2.5 according to data for 01 December 2010. Still, for residents of smaller cities, access to modern exhibition facilities remains relatively poor. In cities with population under 100,000, this figure is still around 1.0.

Table 8. Availability of modern screens to inhabitants of Russian cities (data as at 01 December 2010)

City population bracket	Number of cities	Total population (thousands of people)	Share of Russia's urban population in given population bracket	Share of cities in this bracket with modern cinemas	Number of cinemas	Number of screens	Share of modern screens	Number of screens per 100,000 inhabitants
more than 1 million	11	25,654.9	26.8%	100.0%	245	1,078	45.4%	4.20
500,000 to 1 million	24	15,388.0	16.1%	100.0%	142	458	19.3%	2.98
250 to 500 thousand	38	12,914.6	13.5%	100.0%	136	290	12.2%	2.25
100 to 250 thousand	91	14,127.1	14.8%	83.5%	137	279	11.8%	1.97
under 100,000	935	27,524.8	28.8%	19.3%	200	268	11.3%	0.97
Total in Russian cities	**1,099**	**95,609.4**	**100%**	**29.1%**	**860**	**2,373**	**100.0%**	**2.48**

Source: Nevafilm Research

Meanwhile, cinema chains acknowledge that further market expansion into smaller cities and towns financed by private investment cannot be profitable. This is mainly because the local populations lack a cinema-going tradition. As a result, the time needed to recoup investments can be relatively long, which increases the risk level. Still, a number of projects are underway in the smaller Russian cities. These are mostly based on public-private partnership arrangements geared towards the development of film exhibition and towards creating regional cultural and

entertainment centres. So far, however, none of these projects have received any funding from the government.

Ten companies hold a steady ratings lead among cinema chains, including the largest national chains: Karo Film (which has held on to the top spot since 2005), Cinema Park, Kinomax, Kronverk Cinema, KinoStar, Luxor, Paradise, along with local chains Formula Kino, Premier-Zal and Monitor. The top ten chains own 39% of all modern screens and 40% of all digital screens in Russia.

Table 9. Top 10 major cinema chain operators in Russia (data as at 01 December 2010)

Rank	Cinema operator	Cinemas	Screens	Digital cinemas	Digital screens	Market share by total number of screens	Head Office
1	Karo Film	34	170	28	50	7.2%	Moscow
2	Cinema Park	17	140	17	58	5.9%	Moscow
3	Kinomax	25	112	16	19	4.7%	Moscow
4	Kronverk Cinema	16	105	7	7	4.4%	St. Petersburg
5	Luxor	17	91	17	35	3.8%	Moscow
6	KinoStar	6	75	6	36	3.2%	Moscow
7	Formula Kino	12	71	12	29	3.0%	Moscow
8	Premier-Zal	40	55	16	17	2.3%	Yekaterinburg
9	Paradise	9	50	9	18	2.1%	Moscow
10	Monitor	16	45	8	14	1.9%	Krasnodar
Total for these cinema operators		**192**	**914**	**136**	**283**	**38.5%**	
Total in Russia		**860**	**2,373**	**459**	**712**	**100.0%**	

Source: Nevafilm Research

Russia's largest film exhibitors are also entering the financial markets, both as media holdings which include cinema chains, and as independent companies. Domestic cinema networks were at their most active on the financial market in 2006, when several companies simultaneously announced their decision to go public, issue securities, sell off some of their assets, or take out large loans. Kinomax, Kronverk Cinema, and Karo holding planned to undertake IPOs by 2008. In late 2006, Karo holding even attracted investments for the development of the Karo Film chain via a three-year public bond offering valued at USD 26 million on the Moscow Interbank Currency Exchange (MICEX). That same year, Cinema Park issued an additional 1.4 million uncertified shares valued at more than RUB 116 million, and offered them for sale by private auction. Also in 2006, the International Finance Corporation (IFC) issued USD 68 million in development credit to the KinoStar cinema chain, and the company Formula Kino began negotiations for the sale of a large block of shares to attract investments for the development of a regional chain. By 2008, however, the world financial crisis put an end to the Russian cinema companies' plans to enter the stock market. Some players, including Greater Moscow Area retail and entertainment chain Samokhval, which had also issued bonds for public sale in 2006, even went bankrupt. It wasn't until 2010 that the financial sector of the Russian film distribution market began to recover. In spring, ProfMedia Holding was planning to introduce an IPO on the London Stock Exchange (LSE). In the run-up to this event, ProfMedia withdrew its stocks from securities held by VTB bank, where they had been used as additional collateral for previously issued credit.[40] Although the 2009 results showed that the media holding company's profitability and efficiency had increased, its debut on the stock market was postponed. Instead, the holding company secured a credit line worth RUB 7 billion with Sberbank, and made plans to issue three batches of 5-year bonds (two for RUB 3 billion and one for RUB 5 billion).[41] Another active financial player on the Russian film exhibition market is Kinocity, a new company which plans, with government support, to build more than 250 cinema centres in Russia's small cities. The company's founders, Edward Pichugin (former director of

[40] Сергей Соболев. ПрофМедиа остается на второй год, «Коммерсант», №48, 22.02.2010 г. [Sergey Sobolev. "ProfMedia will be sticking around for another year", *Kommersant* No. 48, 22 February 2010].

[41] Ксения Болецкая. Облигации вместо акций, «Ведомости», 21.05.2010 г. [Ksenia Boletskaya. "Bonds over stocks", *Vedomosti*, 21 May 2010]

Kronverk Cinema) and film director Fyodor Bondarchuk, acquired a 15% share in AB Finance Bank with plans to invest it in their film business.[42] The company plans to build film clubs, as well as to buy existing cinemas and even entire chains. In autumn 2010, St. Petersburg multiplex Kinopik became part of Kinocity. Kinopik had previously been managed by the Kinoexpert cinema chain, but had experienced serious financial troubles to the point of announcing its bankruptcy. Kronverk Cinema and KinoStar are also connected with financial structures. Since 2006, it has been managed by A1, the investment division of Alfa Group. KinoStar has been owned by the UFG Private Equity investment fund since early 2010.

Development of digital projection networks is an important element of the Russian film distribution system. Russia made its first forays into digital projection back in 2003-2004, thanks to Nevafilm. In February 2003, a Barco digital projector with 1.3K resolution and an EVS Digital Cinema server were temporarily installed in one of the cinemas of Moscow's Formula Kino at the Atrium multiplex, which saw the first film screenings in the new format. Then, from January to April 2004, the first commercial digital 1.3K resolution cinema of Moscow's Kinosfera miniplex played animated Disney films *Finding Nemo* and *Brother Bear*.

The first commercial digital screen to meet the Digital Cinema Initiatives (DCI) standards opened in October 2006 at the Zanevsky Kaskad cinema in St. Petersburg, part of the Kronverk Cinema chain. By the end of 2006, three digital screens were already in operation (two in St. Petersburg and one in Naberezhnye Chelny). While the first projection of a feature film on digital screens took place only in December 2006 (*Night at the Museum*), in autumn of the same year, the very first digital screen in Zanevsky Kaskad hosted an audience participation *Counter Strike* computer game tournament.

Between 2007 and mid-2010, the number of digital screens in the country increased 23-fold, to reach 712 screens based on the data as at 01 December 2010. DLP Cinema projectors are already installed in 55% of modern cinemas, including 172 cities across Russia – and coverage continues to grow.[43] Almost all of these facilities are equipped with digital 3D systems.

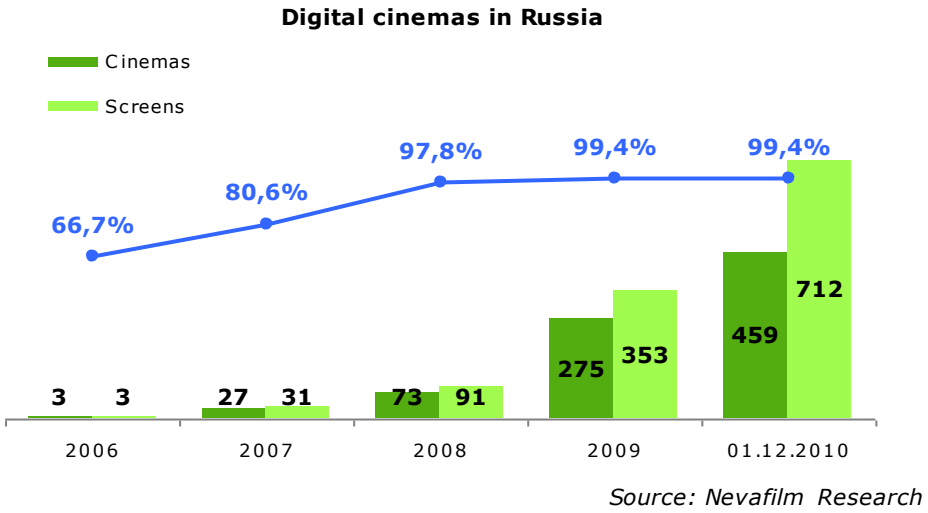


Figure 17. Digital cinemas in Russia

We must note that Digital 3D feature releases are the driving force behind the opening of new digital cinemas in Russia. Analysis of monthly data on the number of new digital screens in Russia indicates that before each major 3D release, more and more exhibitors see the popularity of 3D films as driving ticket prices upwards, and want to get in on the profits. The films that pushed digital revolution forward in 2009-2010 were *Avatar* (which led to the creation of more than 100 new digital screens) and *Shrek Forever* (whose premiere was met with the installation of more than 70 3D screens in Russia). Meanwhile, three October releases—*Megamind*, *Konferenz der Tiere* (*Animals United*), and *Saw 3D*—triggered the construction of only 40 or so new digital cinemas. In the run-up to the December premieres of *The Chronicles of Narnia* and *Tron*, Russian

[42] Татьяна Воронова, Ксения Болецкая, Антон Трифонов. Бондарчук-банк // «Ведомости», №175/2693, 17.09.2010 [Tatiana Voronova, Ksenia Boletskaya, Anton Trifonov. "Bondarchuk Bank," *Vedomosti* No. 175/2693, 17 September 2010]

[43] To follow the expansion of the Russian digital film market on a map, updated monthly, go to http://www.digitalcinema.ru/content/press/dcinemas_ru_eng.php

exhibitors are hoping to install more digital screens. Our analysis shows that by the end of 2010, Russia will have around **780** digital screens in **480** cinemas.

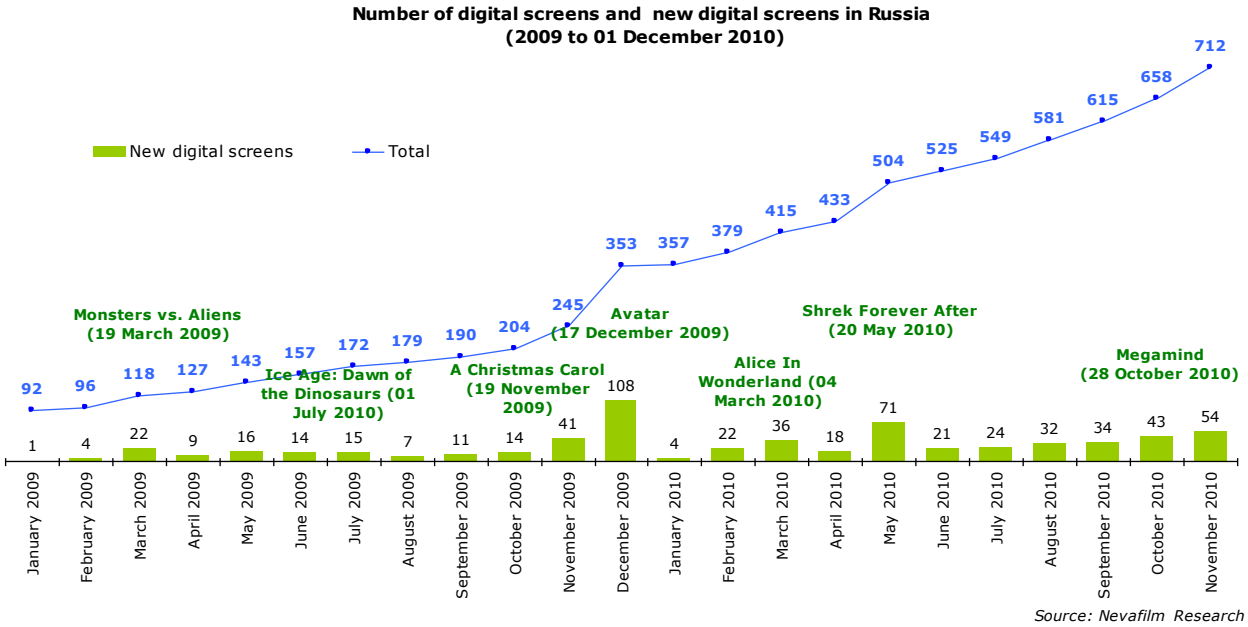


Figure 18. Number of digital screens and new digital screens (2009-2010)

Most of Russia's digital projection screens are concentrated in Moscow and St. Petersburg. Still, the map of digitally equipped cinemas in Russia boasts quite a few small cities with populations of less than 250,000, or even 100,000. Small town exhibitors are queuing up to go digital not only in order to show 3D films, but also so that they can play first-run copies of 2D blockbusters they can't afford to buy on film.

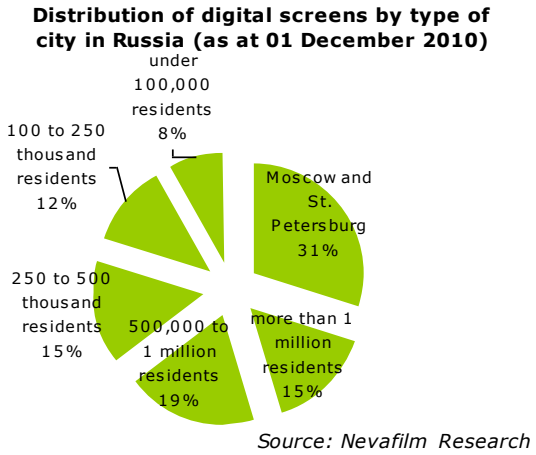


Figure 19. Distribution of digital screens by type of city

The Cinema Park chain remains the market leader among companies converting to digital projection. The company opened its first digital screen in December 2006 in St. Petersburg, and currently has 58 digital screens. Cinema Park was also the first – and until 2009, the only – company to adopt systematic chain-wide measures for transition to digital projection. In March 2009, Rising Star Media launched a similar project for its KinoStar chain in Moscow and St. Petersburg. The Luxor, Formula Kino, and Paradise cinema chains were also moving towards installing digital projection systems in all of their cinemas. In 2010, Russian market leader Karo Film went after the same goal, adding the highest number of digital screens in one year – 34 – compared to KinoStar's 23 and Cinema Park's 20. All other current film exhibition market leaders, such as Kinomax and Kronverk Cinema, are thus far pursuing a less sweeping transition to digital projection.

Table 10. Top 10 largest digital cinema chain operators in Russia (as at 01 December 2010)

Rank	Cinema chain operator	Digital cinemas	Digital screens	% of digital cinemas in the chain	% of digital screens in the chain	Average number of digital screens per cinema	Head Office
1	Cinema Park	17	58	100%	41%	3.4	Moscow
2	Karo Film	28	50	82%	29%	1.8	Moscow
3	KinoStar	6	36	100%	48%	6.0	Moscow
4	Luxor	17	35	100%	38%	2.1	Moscow
5	Formula Kino	12	29	100%	41%	2.4	Moscow
6	Kinomax	16	19	64%	17%	1.2	Moscow
7	Paradise	9	18	100%	36%	2.0	Moscow
8	Premier-Zal	16	17	40%	31%	1.1	Yekaterinburg
9	Monitor	8	14	50%	31%	1.8	Krasnodar
10	West	3	9	75%	41%	3.0	Moscow
Total for these cinema operators		**132**	**285**	**73%**	**34%**	**2.2**	
Total in Russia		**459**	**712**	**53%**	**30%**	**1.6**	

Source: Nevafilm Research

We must note that it was in part due to the efforts of major Hollywood studios that domestic film chain networks were actively able to begin transitioning to digital projection technology in 2010. Over the course of a year, Russia's major cinema chains used their market leverage to appeal directly to the Hollywood studios. They were successful in securing remuneration akin to a virtual print fee in exchange for screening several digital films in their cinemas. Each studio and film chain set individual conditions for each film. In September 2010, the first (and so far only) long-term virtual print fee agreement was signed between Cinema Park and Central Partnership, both members of the ProfMedia holding company. According to the terms of the agreement, the cinema chain is obligated to equip half of its screens with digital projectors by 2012, then update the remaining screens to digital by 2015. Currently, 41% of Cinema Park's screens are digital.[44]

We can already see that the digital market is driven by two main types of players: major federal chains, which plan to equip all of their locations (primarily in large cities) with digital screens for 3D exhibition, and independent exhibitors in smaller cities looking for a competitive edge. Potential growth of the digital market in Russia depends on two parameters:

- the number of small cities (with populations less than 500,000) still lacking digital screens, and the level of competition on these markets;
- the number of 3D releases that help promote the expansion of digital projection capabilities in large cities. With the exception of Cinema Park and KinoStar, until two *Avatars* are released simultaneously, leading cinema chains are not prepared to equip more than 2-3 screens per cinema.

Still, market players have yet to show any sign of flagging interest in acquiring digital equipment. The slight slowdown of market growth in 2010 is due to a shortage of digital projectors on the market, rather than to a decline in demand from exhibitors who want to install them in their cinemas.

We should also note that the IMAX corporation has staked out all significant positions on the Russian market. The first Russian Nescafe-IMAX screen opened in 2003 in the Kinosfera miniplex in Moscow. For some time, it remained the only one of its kind in the country, and the Cascade distribution company bought 3D film prints from IMAX for its exclusive use. Today, these screens already operate in five Russian cinemas: in Moscow, St. Petersburg, Perm, and Ufa. In 2009, these screens began transitioning to digital projection format. And in summer 2010, IMAX began a major expansion in Russia, announcing several major deals: with the Monitor cinema chain (1 screen in 2010)[45], Formula Kino (2 screens in 2010)[46], and Cinema Park (14 screens by 2012).[47]

[44] Елена Виноградова. Деньги за цифру. // «Ведомости», №177 (2875), 21.09.2010 [Elena Vinogradova. "Money for Digital", *Vedomosti* No. 177 (2875), 21 September 2010]
[45] 06 May 2010 "IMAX Signs Cinema Deal in Russia": http://www.imax.com/corporate/pressReleases .
[46] 01 July 2010 "IMAX Enters Partnership With Leading Russian Exhibitor": http://www.imax.com/corporate/pressReleases
[47] 27 July 2010. "IMAX Signs Deal With Russian Exhibitor Cinema Park for Up to 14 IMAX(R) cinemas": http://www.imax.com/corporate/pressReleases

By the end of 2012, Russia will have at least 25 IMAX screens in cities like Moscow, St. Petersburg, Krasnodar, Saratov, Voronezh, Novosibirsk, and others.

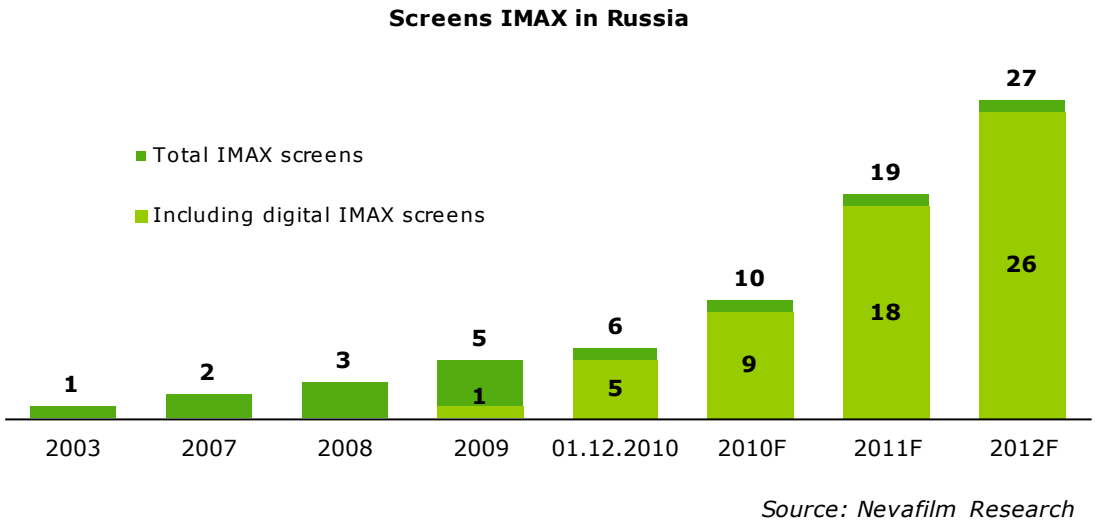


Figure 20. IMAX screens in Russia

Another trend worth noting is the large chain operators' growing interest in neighbouring countries, primarily Ukraine, Kazakhstan, and Belarus. The 2006-2007 period was characterized by a surge of announcements by Russian companies planning to build new cinemas in the CIS. Kinomax had its eyes set on Kazakhstan; Kronverk Cinema, Paradise, and Cinema Park looked to Ukraine; and Karo Film announced plans for Belarus, Kazakhstan, and Ukraine. However, due to the financial crisis which followed, the majority of these plans never materialized. Nevertheless, 2010 has seen the revival of many Russian operators' interest in the CIS countries. Companies which own modern cinemas abroad include Kronverk Cinema, with one cinema (seven screens) in Ukraine; Eurasia Cinemas B.V., which owns Turkey's largest cinema chain, AFM Uluslararasi Film Produksiyon, with 28 cinemas and 193 screens, including two IMAX screens, and has expressed an interest in expanding into Eastern Europe; Star Cinema, with six cinemas and 36 screens, seven of which are digital, in Kazakhstan, in addition to its single cinema with 3 screens in Russia; and Paradise, with two cinemas in Armenia.

Overall, foreign capital remains underrepresented on the Russian market. Until 2010, Kinostar, owned by American-based National Amusement, was the only international chain operating in Russia. However, due to financial problems, the chain was sold to a Russian investment fund in 2010, and the market is abuzz with rumours that the company might be resold again. Official confirmation of these rumours is expected in 2011. In autumn 2010, South Korean chain Lotte Cinema became the first Asian cinema operator to announce its intentions to enter the Russian cinema market. It plans to open six cinemas (30 digital screens) in the Far East (Vladivostok, Khabarovsk, and Blagoveshchensk) by 2013. This market has been underserved by even the largest Russian chains, with a complete absence of national cinema operators, and is currently dominated by local and regional companies. Lotte Cinema is also considering an entrance onto the central Russian market (Moscow and St. Petersburg) by 2015, with 3-5 cinemas (12-20 screens).[48]

1.4.2 Films in Russian distribution

Around 300-350 films are released in Russian cinemas each year. This number dropped slightly during the crisis of 2009, but rose again in 2010, reaching 338 films, along with 25 alternative shows designed for digital cinemas.

[48] Халиль Аминов, Алена Миклашевская. Корейцы покажут Дальнему Востоку // «Коммерсант» (Хабаровск), №192 (4490), 15.10.2010 [Khalil Aminov, Alina Miklashevskaya. "Koreans Will Put on a Show for the Far East", *Kommersant* (Khabarovsk) No. 192 (4490), 15 October 2010]

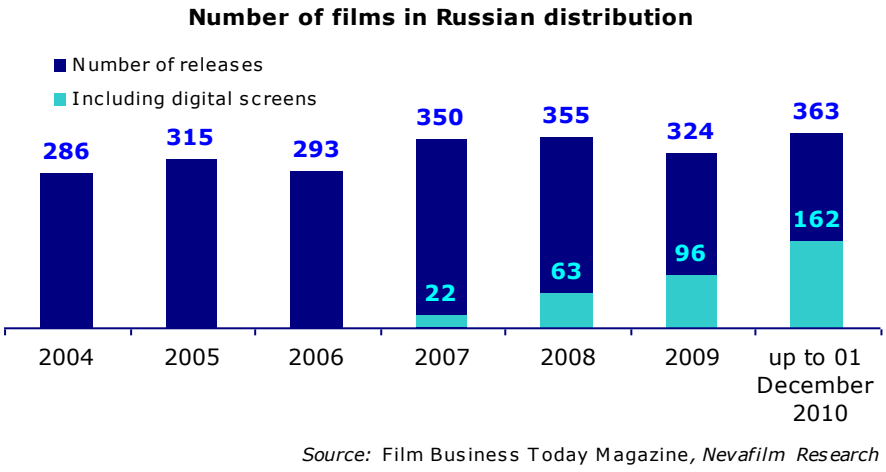


Figure 21. Number of films in Russian distribution

Nevertheless, the repertoire of Russian cinemas remains quite limited. This is because every major picture comes out as a first-run release on most of the country's cinemas, putting severe limitations on the number of shows that cinemas with fewer screens can add to their schedule. (We will remind you that that as at 01 December 2010, 45% of Russia's cinemas were single-screen venues, while 20% more had two screens.)

Full-length features and animation films dominate Russia's cinemas. Documentaries and shorts have a hard time finding venues: cinema-goers are not in the habit of watching this kind of content in cinemas, except in the context of children's cinema projections in summer camps or regional film and video organizations, which play either vintage Soviet children's cartoons or DVDs. Still, in recent years, the practice of organizing special 'film events' has brought a growing audience to a wider diversity of genres. The Night of the Ad Eaters, Animation Night, ad and cartoon festivals, Future Shorts, and others promote wider 'non-traditional' distribution. And as Russia enters the era of digital cinema, viewers also have an opportunity to watch sporting events (such as soccer matches), concerts, documentaries, and popular science films in cinemas, including in 3D format. Digital films first appeared in Russian distribution in 2006. Since then, their number has grown in proportion to the number of digital screens. In 2010, the number of digital releases practically doubled, exceeding 160 titles.

At the same time, 99% of the country's digital screens are fitted with 3D technology, which gives them the advantage of being able to screen 3D content. The first digital 3D release in Russia was *Beowulf* in late 2007. In 2008, this number went up to 8, then to 15 in 2009, and 32 in 2010. This means that today, 3D films can completely fill the schedule of cinemas equipped with digital screens within a year. One digital screen is no longer enough to screen all 3D releases.[49]

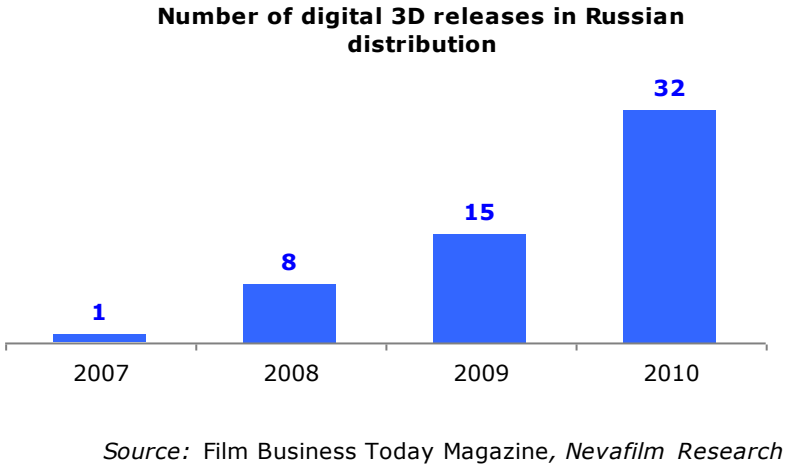
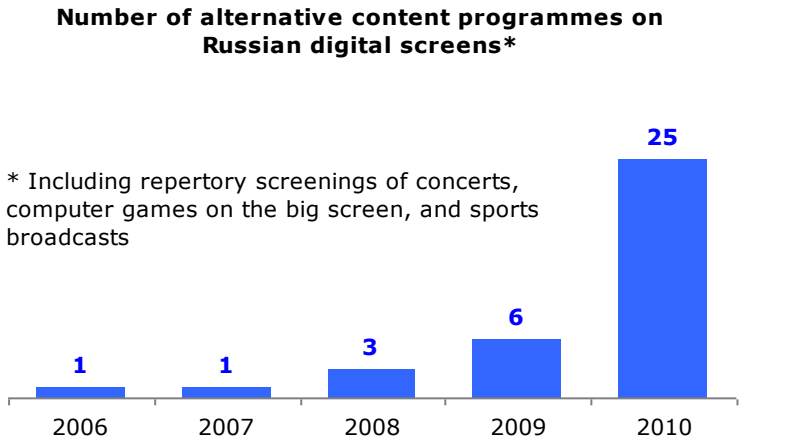


Figure 22. Number of digital 3D releases in Russian distribution

[49] Based on the assumption that each 3D film will be screened for at least two weeks in a single cinema.

The first direct digital cinema broadcasts of soccer matches which took place during the European Championships in 2008 jump-started the development of Russia's alternative digital distribution techniques. Russian exhibitors have also been experimenting with such types of alternative digital content as recorded concerts. In 2008, three concert films were released in Russia: *Zelyonyy teatr v Zemfire [Zemfira's Green Theatre]*, *U2 3D*, and *Rolling Stones: Shine a Light*. However, these first concerts were exhibited on the big screen for a traditional run (2–3 weeks), and as a result, for the audience, they got lost among other films.

Still, 2009 saw the first film events: unique projects to bring alternative content to digital screens. This effort is spearheaded by Nevafilm Emotion, the distribution branch of Nevafilm.[50] The distributor specializes in opera productions. Plays by the La Scala Theatre have been playing in Russia since autumn 2009. In 2010, they were joined by productions by the Royal Opera House, Teatro Real Madrid, Grand Teatre del Liceu, San Francisco Opera, Teatro Comunale, and others, sometimes performed live. Among the distributor's other projects are classical, pop, and rock concerts, documentaries, and various film events. In 2010, the overall number of digital alternative content releases in Russia's cinemas reached 25.



Source: Film Business Today Magazine, *Nevafilm Research*

Figure 23. Number of alternative content programmes in Russian distribution

European satellites provide only partial coverage of the country's territory. This has a major influence on Russia's alternative content market: as a result, few theatres can screen live broadcasts of opera performances from European theatres, while world sporting event broadcasts are much more accessible, mainly on television. As of 28 December 2010, 70 geosynchronous satellites broadcast their television signal on the territory of Russia.[51]

Table 11. TV rebroadcast satellites covering Russia

Ranking	Satellite	Geosynchronous orbit
1	Intelsat 701	180.0° E
2	Intelsat 5	169.0° E
3	Intelsat 8	166.0° E
4	Express AM3	140.0° E
5	Telstar 18	138.0° E
6	Apstar 6	134.0° E
7	Asiasat 4	122.0° E
8	Thaicom 1A	120.0° E
9	Koreasat 3	116.0° E
10	Palapa D / Koreasat 5	113.0° E
11	ChinaSat 5B	110.5° E
12	AsiaSat 3S	105.5° E
13	Express A2	103.0° E

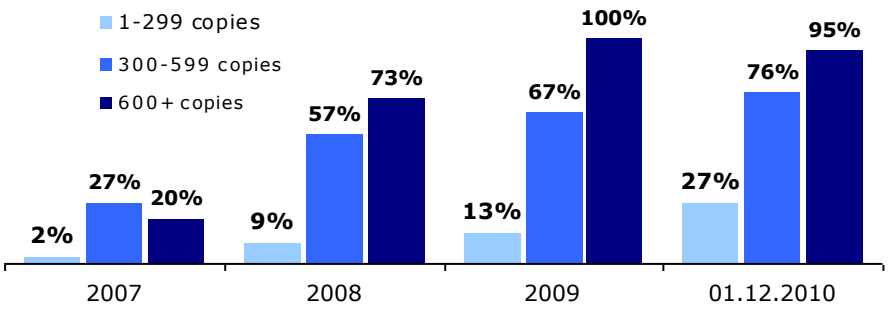
[50] http://www.cinemaemotion.ru
[51] http://www.telesputnik.ru/ft/freqtab.php?new .

Ranking	Satellite	Geosynchronous orbit
14	AsiaSat 5	100.5° E
15	Express AM 33	96.5° E
16	NSS 6	95.0° E
17	Yamal 201	90.0° E
18	ChinaStar 1	87.5° E
19	Intelsat 15	85.2° E
20	Insat 2E/3B/4A	83.0° E
21	Express MD1	80.0° E
22	Thaicom 2/5	78.5° E
23	Apstar 2R	76.5° E
24	ABS 1 / Eutelsat W75	75.0° E
25	Intelsat 4	72.0° E
26	Eutelsat W5	70.5° E
27	Intelsat 7/10	68.5° E
28	Intelsat 702	66.0° E
29	Intelsat 906	64.0° E
30	Intelsat 902	62.0° E
31	Intelsat 904	60.0° E
32	NSS 12	57.0° E
33	Bonum 1	56.0° E
34	Express AM 22	53.0° E
35	Yamal 202	49.0° E
36	Intelsat 12	45.0° E
37	Turksat 2A/3A	42.0° E
38	Express AM1	40.0° E
39	Hellas Sat 2	39.0° E
40	Paksat 1	38.0° E
41	Eutelsat W4 / W7	36.0° E
42	Eurobird 3 / Intelsat 802	33.0° E
43	Astra 1G	31.5° E
44	Arabsat 5A	30.5° E
45	Astra 2A/2B/2D - Eurobird 1	28.5° E
46	Eurobird 2	25.5° E
47	Astra 3A/3B	23.5° E
48	Eutelsat W6	21.5° E
49	Astra 1H /1KR/1L/1M	19.2° E
50	Eutelsat W2M / Eurobird 16/Eutelsat Sesat 1	16.0° E
51	Hot Bird 6/8/9	13.0° E
52	Eutelsat W2A	10.0° E
53	Eurobird 9A	9.0° E
54	Eutelsat W3A	7.0° E
55	Astra 1E/4A 4.	8.0° E
56	Eurobird 4A	4.0° E
57	Eutelsat W2M	3.0° E
58	Hispasat 1C/1D	30.0° W
59	Intelsat 907	27.5° W
60	Intelsat 905	24.5° W
61	NSS 7	22.0° W
62	Intelsat 901	18.0° W
63	Telstar 12	15.0° W
64	Express A4	14.0° W
65	Atlantic Bird 1	12.5° W
66	Express AM44	11.0° W
67	Telecom 2D / Atlantic Bird 2	8.0° W
68	Atlantic Bird 3	5.0° W
69	Amos 2/3 - Thor 3	4.0° W
70	Thor 5/6 - Intelsat 10-02	1.0° W

Source: Tele Sputnik http://www.telesputnik.ru/ft/freqtab.php?sat=0&ad=B&encs=all

The persistent shortage of digital screens and overabundance of *exclusively* digital content limit the number of regular (2D) films – arthouse, domestic cinema, children's cartoons, and more – that reach the screens. In 2010, digital releases have mostly consisted of films in wide release: nearly all films with a print run of more than 600 prints, and 76% with a print run between 300 and 600 prints. Of the 66 films with a more narrow distribution, 33 were released only in digital format. Among them were 25 alternative programs distributed by Nevafilm Emotion and five 3D films.

Share of digital releases, by scale of theatrical release

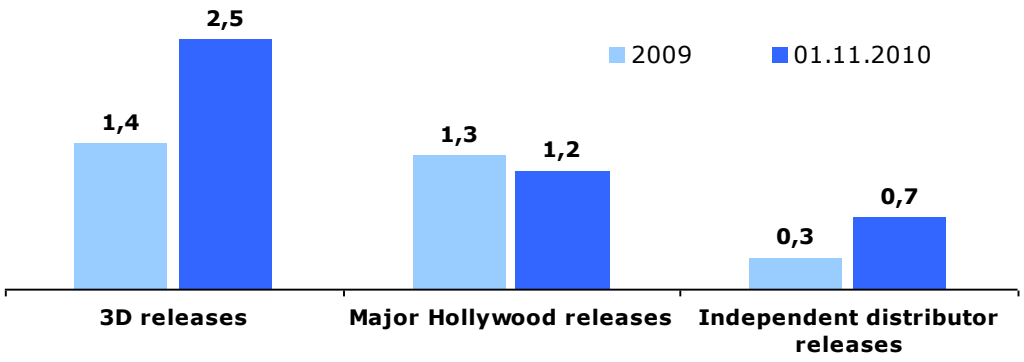


Source: Film Business Today Magazine, *Nevafilm Research*

Figure 24. Share of digital releases, by scale of theatrical release

Another indicator that 3D content dominates Russia's digital screens is the average monthly number of digital films of various types shown on a single digital screen.[52] A comparison of data for 2009 and 2010 shows a surprising trend: the availability of digital screens for 3D films is increasing, but sometimes at the expense of the average monthly number of digital prints per screen of major releases.[53] At the same time, independent distributors are strengthening their digital distribution presence, thanks to the expansion of cinema chains and the active development of alternative digital content distribution.

Average monthly number of digital films of various types shown on a single digital screen in Russia



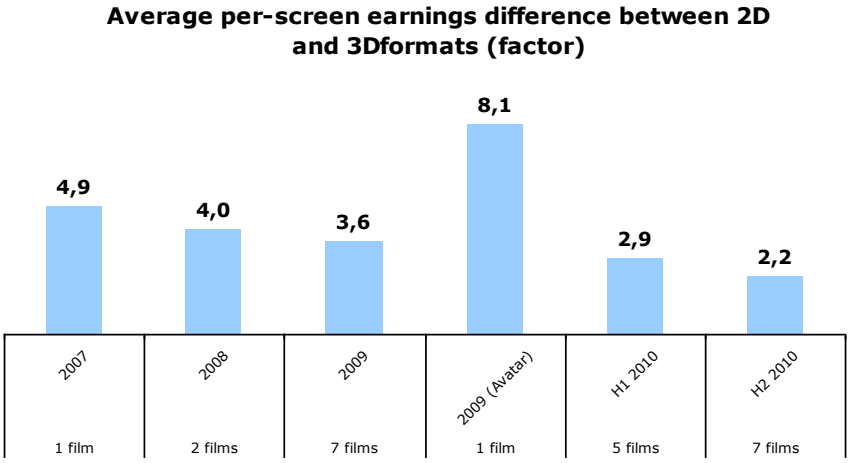
Source: Film Business Today Magazine, *Nevafilm Research*

Figure 25. Access to digital screens for films of various types

[52] Calculated as a quotient of the total number of digital prints of a certain type of films in a month by the number of digital screens in the country at the end of the month.

[53] Still, the major studios are holding on to a fairly stable share of Russia's digital screens. This is due primarily to the fact that the major distributors, trying to save money on printing copies for the time when a long-awaited blockbuster release comes around, can insist that their films are shown in digital format, and don't provide cinemas with digital screens with 35mm prints.

Meanwhile, 3D film distribution in Russia is growing less effective. This trend became apparent in 2010, when the number of 3D releases exploded, though not all of them lived up to audience expectations. Putting aside the results for *Avatar*, which went into its second all-3D run in August, results for seven films released in 2010 (*Toy Story 3*, *The Last Airbender*, *Despicable Me*, *Cats vs. Dogs: the Revenge of Kitty Galore*, *Step Up*, *Resident Evil: Afterlife*, *Legend Of The Guardians: The Owls Of Ga'hoole*) show that per-screen box office returns have dropped by more than half since the release of *Beowulf* in 2007.



Source: Booker's Bulletin, *Nevafilm Research*

Figure 26. Difference in average per-screen earnings between 2D and 3D films

When it comes to showing foreign films in the CIS (including Ukraine in 2004), the Russian market is dominated by titles from the USA and Europe (including European films financed by Hollywood studios), which account for 35-40% of releases.[54]

[54] Russia's film market structure was analysed by producing country (region) based on the data from http://www.imdb.com and using the following criteria:
- 'Russian films' are all films produced with Russia's participation;
- 'European films' are films made with the participation of at least one European country, except co-productions with Russia;
- 'North American films' are films made with the participation of the USA, except co-productions with Russia or Europe;
- 'films produced in other countries' include Asian, Australian, Latin American, and other productions made without the participation of the USA, Russia, or European countries.

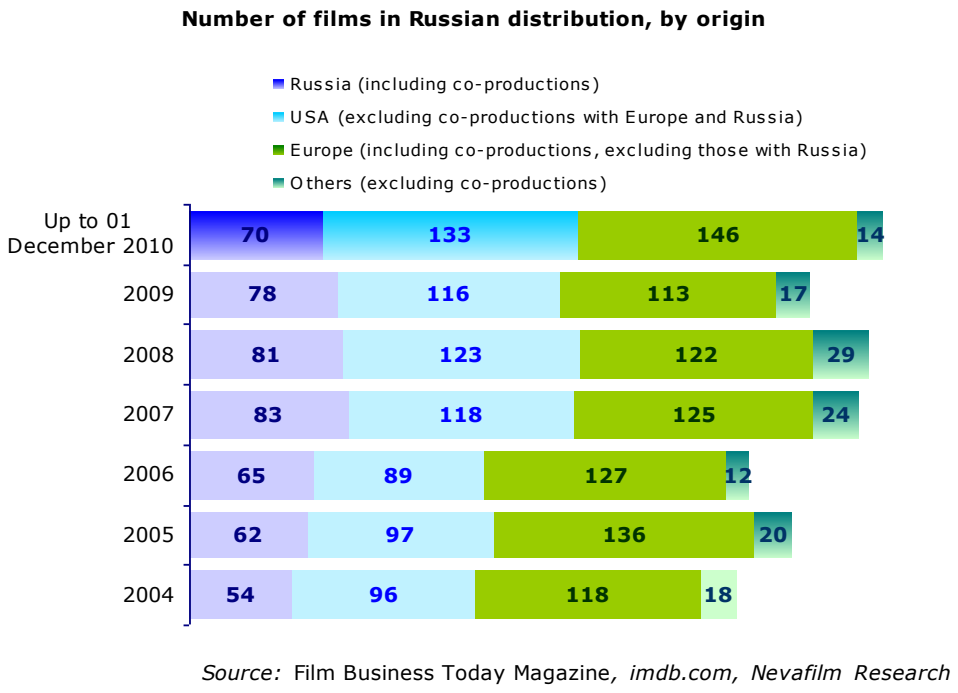


Figure 27. Number of films in Russian release, by country of origin

A large share – around 50% – of film distribution revenue in the CIS (excluding Ukraine) is collected by American films, while European films account for 30% of the box office. Since 2004, Russian films have begun gaining a larger share of the market, both in terms of number of titles and volume of box office receipts (at least 25%), primarily stealing viewers from American films. Incidentally, the 2008-2009 film production crisis was reflected in 2010's film distribution. While the number of Russian releases didn't drop significantly, the drop in box office figures was substantial—as much as 14% (based on data as at 01 December 2010).

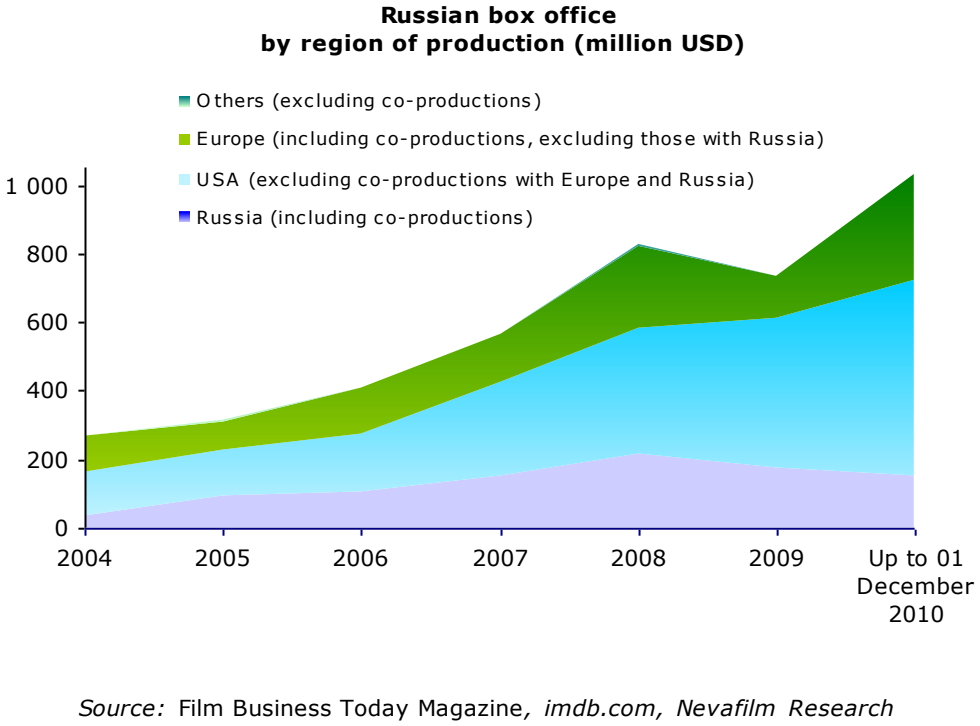


Figure 28. Russian box office receipts, by country of production

Table 12. Distribution market share on the territory of the CIS (excluding Ukraine, from 2005 to 01 December 2010), by country of production

Year	Russia (including co-productions)		USA (excluding co-productions with Europe and Russia)		Europe (including co-productions, excluding those with Russia)		Others (excluding co-productions)	
	number of releases	box office receipts	number of releases	box office receipts	number of releases	box office receipts	number of releases	box office receipts
2004	54	33.0	96	131.9	118	101.6	18	2.0
	18.9%	12.3%	33.6%	49.1%	41.3%	37.8%	6.3%	0.7%
2005	62	92.5	97	137.3	136	80.5	20	4.1
	19.7%	29.4%	30.8%	43.7%	43.2%	25.6%	6.3%	1.3%
2006	65	107.0	89	167.3	127	133.4	12	1.1
	22.2%	26.2%	30.4%	40.9%	43.3%	32.6%	4.1%	0.3%
2007	83	149.7	118	274.6	125	142.1	24	1.9
	23.7%	26.3%	33.7%	48.3%	35.7%	25.0%	6.9%	0.3%
2008	81	214.6	123	366.3	122	241.1	29	6.6
	22.8%	25.9%	34.6%	44.2%	34.4%	29.1%	8.2%	0.8%
2009	78	176.3	116	437.5	113	121.7	17	0.7
	24.1%	23.9%	35.8%	59.4%	34.9%	16.5%	5.2%	0.1%
2010	70	151.1	133	573.0	146	309.0	14	0.8
	19.3%	14.6%	36.6%	55.4%	40.2%	29.9%	3.9%	0.1%

Source: Film Business Today Magazine, imdb.com, Nevafilm Research

It's worth noting that both this sharp increase in the popularity of Russian blockbusters and overall cinema admissions were boosted by backing from the national TV channel of *The Night Watch*. Along with continuously showing film trailers, it offered a long run of film-related news features, shows about the production process, interviews and talk shows with actors and the director, and so on. In 2005, STS and Rossiya TV channels began adding their support. In 2007, they were joined by NTV, and in 2008, by TNT. As a rule, the higher the box office potential of a feature and the greater the TV channel's interest in its successful run (if it was involved in the film's production), the larger the TV campaign.

As a result, since 2004, Russia's top ten box office hits list has never been without Russian films supported to various degrees by television. Overall, between December 2003 and November 2009, more than 40 domestic films (10.5% of all releases by Russian producers, or 2.2% of all premieres for the period) received free TV air time.

Table 13. Russian films whose release received official support from TV channels

Rank, for the year	Title	TV Channel supporting the film	Box office, thousands USD
		2004	
1	*Nochnoy Dozor* [*Night Watch*]	Channel One	16,025
22	*72 Metra* [*72 meters*]	Channel One	2,640
25	*Voditel Dlya Very* [*A Driver for Vera*]	Channel One	3,630
95	*Papa* [*Dad*]	Channel One	700
116	*Neznaika i Barrabass* [*Neznaika and Barrabass*]	Channel One	480
		2005	
1	*9 Rota* [*9th Company*]	CTC	23,610
2	*Turetskiy Gambit* [*Turkish Gambit*]	Channel One	18,520
8	*Statskiy Sovetnik* [*The State Counsellor*]	Channel One	7,445
14	*Lichnyy Nomer* [*Countdown*]	Channel One	4,560
47	*Pervyy Posle Boga* [*The First After God*]	Rossiya TV Channel	1,785
131	*Dura* [*Fool*]	Rossiya TV Channel	400
		2006	
1	*Dnevnoy Dozor* [*Day Watch*]	Channel One	31,965
12	*Piter FM*	CTC	7,330
16	*Okhota na Piranyu* [*Piranha*]	Rossiya TV Channel	6,235
38	*Ostrov* [*The Island*]	Rossiya TV Channel	2,594
182	*Bolshaya Lyubov* [*Great Love*]	Rossiya TV Channel	190

Rank, for the year	Title	TV Channel supporting the film	Box office, thousands USD
		2007	
3	*Volkodav* [*Wolfhound*]	Channel One, NTV	20,851
5	*Zhara* [*The Heat*]	CTC	15,710
11	*Lubov-Morkov* [*Lovey-Dovey*]	Channel One	11,640
18	*Kod Apokalipsisa* [*The Apocalypse Code*]	Channel One	8,035
68	*Konservy* [*Preserves*]	Rossiya TV Channel	2,070
84	*Tiski* [*Vise*]	Rossiya TV Channel	1,422
130	*Odna Lyubov na Million* [*One Love in a Million*]	NTV	787
197	*Russkaya Igra* [*The Russian Game*]	Rossiya TV Channel	241
		2008	
1	*Ironiya Sudby. Prodolzhenie* [*Irony of Fate 2*]	Channel One	49,919
3	*Admiral* [*The Admiral*]	Channel One	33,700
5	*Samyy Luchshiy Film* [*The Best Film*]	TNT (Comedy Club)	27,588
28	*My iz Buduschego* [*Back In Time*]	Rossiya TV Channel	8,229
32	*Vsyo Mogut Koroli* [*Kings Can Do Everything*]	NTV	7,452
76	*1814*	CTC	2,491
93	*Realnyy Papa* [*A Real Dad*]	Rossiya TV Channel	1,875
147	*Kamennaya Bashka* [*Rock Head*]	NTV	886
158	*Kacheli* [*The Swing*]	Rossiya TV Channel	747
		2009	
3	*Obitaemyy Ostrov. Film Pervyy* [*The Inhabited Island 1*]	CTC	21,838
7	*Lubov-Morkov-2* [*Lovey-Dovey 2*]	Channel One	17,850
8	*Kanikuly Strogogo Rezhima* [*High Security Vacation*]	Channel One	17,566
9	*Taras Bulba. Zaporozhskaya Sech* [*Taras Bulba*]	Rossiya TV Channel	17,041
10	*Stilyagi* [*Hipsters*]	Rossiya TV Channel, Channel One	16,810
17	*Samyy Luchshiy Film-2* [*The Best Film 2*]	TNT Channel (Comedy Club)	12,846
34	*Obitaemyy Ostrov. Skhvatka* [*The Inhabited Island: Rebellion*]	CTC	6,071
68	*Pro Fedota-Streltsa, Udalogo Molodtsa* [*About Fedot the Shooter*]	Channel One	2,586
88	*Pervaya Lyubov* [*First Love*]	CTC	1,775
147	*Goryachie Novosti* [*Newsmakers*]	RBC, Akado (product placement)	626

Source: Film Business Today Magazine, ProfiCinema, data from distributors

These techniques have since become tradition for Russian blockbusters – but players on the film distribution market believe they have seriously undermined the film advertising market. The small amount of TV advertising that distributors without TV support can afford has long become practically invisible to audiences. As a result, television advertising lost its effectiveness for these distributors. Not until late 2008 and early 2009 did independent distributors manage to regain TV viewers' trust and attract their attention once again, taking advantage of falling airtime prices to show short trailers.

Table 14. Top 10 films by box office in CIS (from 2005, excluding Ukraine)

Rank	Title	Distributor in Russia	Country of production	Number of screens	Box office receipts, USD	Box office per screen, USD
			2004			
1	*Nochnoy Dozor* [*Night Watch*]	Gemini	Russia	312	16,025,000	51,362
2	*The Lord of the Rings: The Return of the King*	Karo Premiere	USA, New Zealand, Germany	264	14,085,000	53,352
3	*Troy*	Karo Premiere	USA, Malta, UK	267	12,305,000	46,086

Rank	Title	Distributor in Russia	Country of production	Number of screens	Box office receipts, USD	Box office per screen, USD
4	*The Day After Tomorrow*	Gemini	USA	257	9,960,000	38,755
5	*Spider-Man 2*	Cascade	USA	321	9,325,000	29,050
6	*Van Helsing*	Central Partnership	USA, Czech Republic	300	8,175,000	27,250
7	*Harry Potter and the Prisoner of Azkaban*	Karo Premiere	UK, USA	269	7,800,000	28,996
8	*I, Robot*	Gemini	USA, Germany	303	6,010,000	19,835
9	*King Arthur*	Cascade	USA, UK, Ireland	210	5,820,000	27,714
10	*Shrek 2*	UIP	USA	294	5,750,000	19,558
2005						
1	*9 Rota* [*9th Company*]	Gemini	Russia	361	23,610,000	65,402
2	*Turetskiy Gambit* [*Turkish Gambit*]	Gemini	Russia, Bulgaria	319	18,520,000	58,056
3	*War of the Worlds*	UIP	USA	345	10,180,000	29,507
4	*Mr. and Mrs. Smith*	Central Partnership	USA	300	8,720,000	29,067
5	*Star Wars: Episode III - Revenge of the Sith*	Gemini	USA	314	8,360,000	26,624
6	*Alexander*	Paradise	Germany, USA, Netherlands, France, UK	345	7,960,000	23,072
7	*Madagascar*	UIP	USA	288	7,590,000	26,354
8	*Statskiy Sovetnik* [*The State Counsellor*]	Karo Premiere	Russia	316	7,445,000	23,560
9	*Boy s Tenyu* [*Shadow Boxing*]	Central Partnership	Russia	274	7,200,000	26,277
10	*Muzhskoy Sezon. Barkhatnaya Revolyutsiya* [*Law of Corruption*]	Karoprokat	Russia	201	6,860,000	34,129
2006						
1	*Dnevnoy Dozor* [*Day Watch*]	Gemini	Russia	518	31,965,000	61,708
2	*Pirates of the Caribbean: Dead Man's Chest*	Cascade	USA	552	27,515,000	49,846
3	*Ice Age 2: The Meltdown*	Gemini	USA	397	17,178,000	43,270
4	*Bumer. Film Vtoroy* [*Heaven on Earth*]	Nashe Kino, Karoprokat	Russia	415	13,000,000	31,325
5	*The Da Vinci Code*	Cascade	USA	403	11,340,000	28,139
6	*King Kong*	UIP	New Zealand, USA, Germany	400	9,921,000	24,803
7	*Svolochi*	Paradise	Russia	355	9,660,000	27,211
8	*Perfume: The Story of a Murderer*	West	Germany, France, Spain, USA	310	9,265,000	29,887
9	*Casino Royale*	Cascade	USA, UK, Germany, Czech Republic	540	9,060,000	16,778
10	*The Chronicles of Narnia: The Lion, the Witch and the Wardrobe*	Cascade	USA, UK	304	8,099,000	26,641
2007						
1	*Pirates of the Caribbean: At World's End*	BVSPR	USA	703	30,850,900	43,885
2	*Shrek the Third*	UPI	USA	596	23,387,850	39,241
3	*Volkodav iz Roda Serykh Psov* [*Wolfhound*]	Central Partnership	Russia	601	20,015,000	33,303

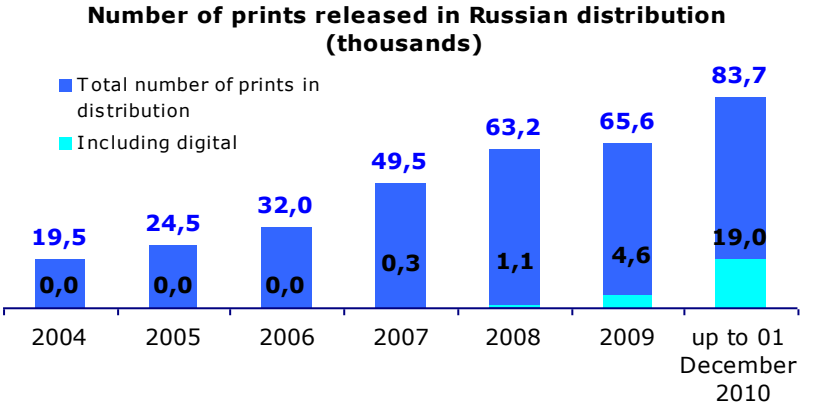
Rank	Title	Distributor in Russia	Country of production	Number of screens	Box office receipts, USD	Box office per screen, USD
4	*Harry Potter and the Order of the Phoenix*	Karo Premiere	UK, USA	534	16,326,500	30,574
5	*Zhara* [*The Heat*]	Gemini	Russia	600	15,710,000	26,183
6	*Transformers*	UPI	USA	700	15,254,050	21,792
7	*Spider-Man 3*	BVSPR	USA	560	13,945,650	24,903
8	*Night at the Museum*	20th Century Fox CIS	USA, UK	455	12,988,500	28,546
9	*Taxi-4*	Central Partnership	France	466	12,054,400	25,868
10	*Boy s Tenyu-2. Revansh* [*Shadow Boxing 2: Revenge*]	Central Partnership	Russia	583	11,771,900	20,192
2008						
1	*Ironiya Sudby. Prodolzhenie* [*Irony of Fate 2*]	20th Century Fox CIS	Russia	914	49,918,700	54,616
2	*Madagascar: Escape 2 Africa*	UPI	USA	850	40,807,300	48,009
3	*Admiral*	20th Century Fox CIS	Russia	1107	33,700,000	30,443
4	*The Mummy: Tomb of the Dragon Emperor*	UPI	USA, Germany	854	27,790,000	32,541
5	*Samyy Luchshiy Film* [*The Best Movie*]	Karoprokat	Russia	702	27,588,000	39,299
6	*Osobo Opasen* [*Wanted*]	UPI	USA, Germany	859	26,300,300	30,617
7	*Hancock*	BVSPR	USA	645	25,983,500	40,284
8	*Kung Fu Panda*	UPI	USA	821	20,879,000	25,431
9	*Quantum of Solace*	BVSPR	UK, USA	750	18,109,200	24,146
10	*Indiana Jones and the Kingdom of the Crystal Skull*	UPI	USA	811	17,043,000	21,015
2009						
1	*Ice Age: Dawn of the Dinosaurs*	20th Century Fox CIS	USA	1098	44,619,281	40,637
2	2012	BVSPR	USA, Canada	840	36,605,026	43,577
3	*Obitaemyy Ostrov. Film Pervyy* [*The Inhabited Island 1*]	Karoprokat	Russia	916	21,838,109	23,841
4	*Harry Potter and the Order of the Phoenix*	Karo Premiere	UK, USA	915	18,753,638	20,496
5	*The Twilight Saga: New Moon*	West	USA	680	18,616,430	27,377
6	*Transformers: Revenge of the Fallen*	Central Partnership	USA	913	18,170,854	19,902
7	*Lubov-Morkov* [*Lovey-Dovey*]	Karoprokat	Russia	931	17,850,711	19,174
8	*Kanikuly Strogogo Rezhima* [*High Security Vacation*]	20th Century Fox CIS	Russia	1041	17,566,040	16,874
9	*Taras Bulba*	Central Partnership	Russia	648	17,040,803	26,298
10	*Stilyagi* [*Hipsters*]	Central Partnership	Russia	893	16,810,383	18,825
2010 (box office up to 01 December 2010)						
1	*Avatar*	20th Century Fox CIS	USA, UK	1327	117,051,365	88,208
2	*Shrek Forever After*	Central Partnership	USA	1250	51,362,770	41,090
3	*Alice in Wonderland*	WDSSPR	USA	625	42,134,640	67,415
4	*The Twilight Saga: New Moon*	West	USA	1085	26,363,413	24,298
5	*Clash of the Titans*	Karo Premiere	UK, USA	921	24,606,550	26,717
6	*How to Train your Dragon*	Central Partnership	USA	818	23,460,585	28,680

Rank	Title	Distributor in Russia	Country of production	Number of screens	Box office receipts, USD	Box office per screen, USD
7	*Nasha Russia. Yaytsa Sudby* [*Our Russia: The Balls of Fate*]	Central Partnership	Russia	1053	22,213,128	21,095
8	*Megamind*	Central Partnership	USA	943	21,965,087	23,293
9	*Inception*	Karo Premiere	USA, UK	905	21,691,531	23,969
10	*Prince of Persia: The Sands of Time*	WDSPR	USA	842	21,528,448	25,568

Source: Film Business Today Magazine, http://www.imdb.com

1.4.3 Peculiarities of Russian distribution

In late 2008, devaluation of the rouble prompted by the global economic crisis and a drop in oil prices seriously affected the cost of prints. After a certain point, this forced distributors to start considering cutbacks in the scale of their releases. As a result, 2009 saw a growing number of second-run cinemas forced into this category by distributors unhappy about the results of previous releases. The cinemas were given a choice: get the film 3-4 weeks after its premiere, or pay a high "minimum guarantee" fee to recoup the distributor's film printing and logistics and advertising expenses, and bring the exhibitor the expected profit. It didn't take the cinemas long, however, to find a way out, as they began installing digital projection equipment. Desire to join the ranks of first-run "premiere" cinemas became one of the driving forces behind the transition to digital technology for exhibitors in smaller cities. As a result, the number of second-run cinemas in Russia did not have time to grow, and the average film release period in Russia remains short (an average of two weeks).



Source: Film Business Today Magazine, *Nevafilm*

Figure 29. Number of prints in Russian distribution

In 2010, an average film release in Russian distribution was 230 prints – 9.7% of the country's modern screens, or 27% of cinemas. Still, if we consider only major releases (top 20 features, by total annual box office receipts), we see that an average release in 2010 was 911 prints – 38% of screens, or more than 100% of functioning modern cinemas! These numbers testify to the absence of a second-run screen system in Russia. Blockbuster distributors treat virtually all cinemas in the country as first-run screens, and after 2–3 weeks of use, prints cannot be used in less successful venues since they simply don't exist.

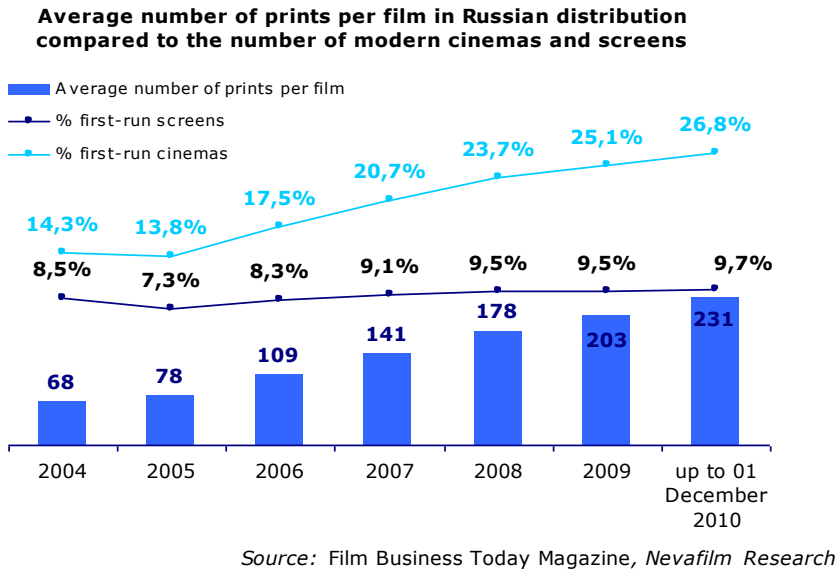


Figure 30. Average number of prints in Russian distribution, by film

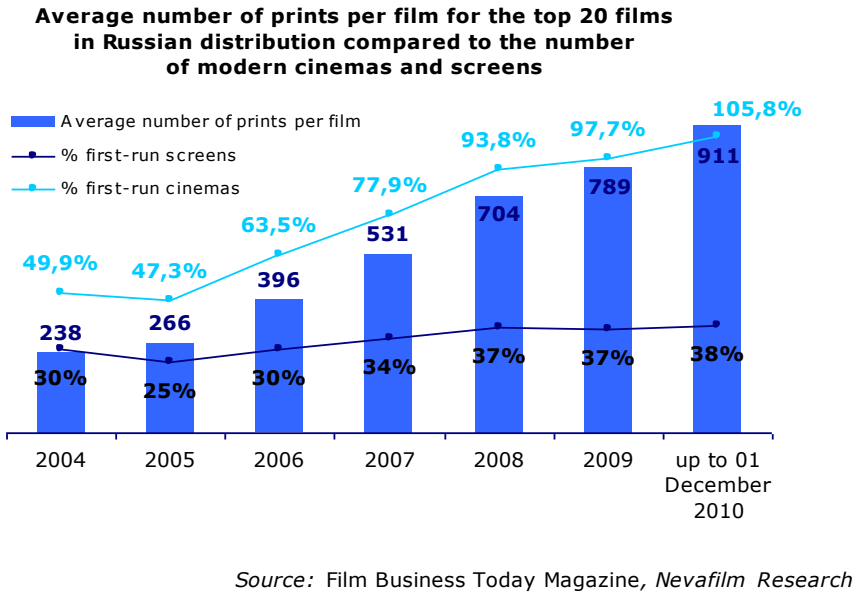


Figure 31. Average number of prints in Russian distribution, by film (top 20)

Russia lacks a specialized arthouse cinema network as a category. In most cities, audiences have no tradition of watching this kind of film. As a result, niche films can only be seen on the big screen in cities with over a million inhabitants (primarily in Moscow and St. Petersburg, along with Yekaterinburg, Rostov-on-Don, Nizhny Novgorod, Samara, and a few others). This gave birth to Russia's 'limited release' phenomenon: small-scale release of films with narrow appeal (from 1 to 20 prints), which tour the country over a long period of time. Some features run for a year or longer: *Paris, je t'aime* [*Paris, I Love You*,] the record-holder for limited release in the CIS, took in more than USD 1 million with ten prints in 2007. *Atonement* had similar results in 2008, although with 49 prints. In 2009, no limited-release film was able to achieve this level of success (*Antichrist* came closest, with USD 347,300 with 10 prints), while in 2010, *Mr. Nobody* earned a stunning USD 614,600 with just four prints.

Overall, blockbusters typically dominate Russian distribution. In a year-end ranking based on gross box office receipts, the top 50 pictures account for over 70% of the market. In recent years (2007–2010), the top 50's share has only grown, while the share of the next 50 films with the highest box office is holding steady at 16%. Meanwhile, films that didn't get into the top hundred are seeing their box office earnings dwindle.

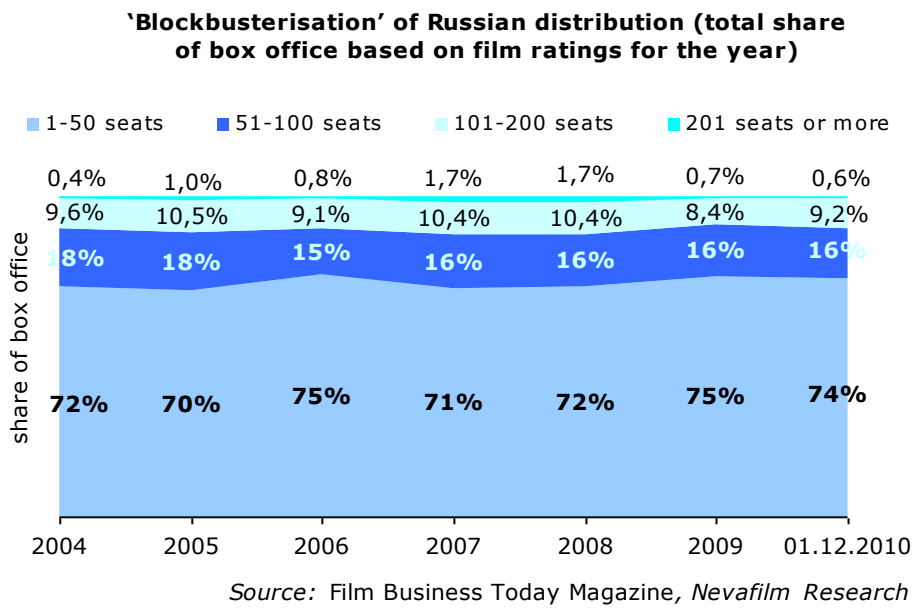


Figure 32. 'Blockbusterisation' of Russian distribution (total share of box office based on film ratings for the year)

At the same time, from 2007 onwards, major exhibition market players have begun showing an interest in arthouse titles. This has helped these productions expand their presence in Russian distribution. Arthouse films have been traditionally well represented on the schedule of the Five Stars cinema chain. In 2007, the Tolyatti InvestKinoProject cinema chain opened the Kolizey arthouse film club in one of its Kinoplex cinemas. Moscow's Formula Kino chain opened special art cinemas in its Gorizont (2007) and Europa (2008) cinemas. A similar cinema was launched at the Moscow Oktyabr cinema, which became a test site for the Karo Film chain. And in late 2008, Cinema Park released a line-up of films under the brand Kino Po Pravilam I Bez in Chelyabinsk, Novosibirsk, and Tyumen. In addition, the chain regularly holds various festivals. The Future Shorts festival is held no less than three times a year, and in October-November, the Nepravilnoe Kino Festival brings its films to the regions.

For many years, public exhibition of films on video (DVD) has existed in Russia alongside digital and 35mm projection systems. This tradition dates back to the 1990s, when video salons, supported by municipal and regional governments and screening films using TV equipment and video media (cassettes) actively flourished. The default of 1998[55] took a terrible toll on Russia's video market, putting an end to the reign of video salons. However, the spread of DVD technology breathed a new life into inexpensive and convenient video exhibition. Electronic screens are currently in operation across Russia and the CIS countries. No statistics on DVD screens exist, though according to distributors, such screens are extremely widespread in outdated municipal cinemas, within regional film and video rental organizations, as well as in drive-in cinemas. What's more, many modern cinemas that offer arthouse content own video projectors for screening films. Various clubs and cafés also often use video projection as a side business and organize non-commercial screenings of various retrospectives, festivals, etc. The practice of DVD screenings is widespread in such CIS countries as Ukraine, Belarus, and Kazakhstan. Video screenings in Russia are mostly handled by independent distribution companies, distributors working with arthouse features, and companies distributing children's film programming (live action and animation). This enables them to create a wider distribution network, which can even include nightclubs (for arthouse products) and children's summer camps and schools (for cartoons) and save money on printing and delivery expenses. On the other hand, this leaves films vulnerable to pirates. Films for video distribution are usually released under the following conditions: video versions are released after 35mm prints (2–4 weeks later),

[55] The financial crisis (or 'default') hit Russia on 17 August 1998. It was triggered by the Asian financial crisis, which had begun in July 1997. As world commodity prices declined, countries heavily dependent on the export of raw materials were hit the hardest. Petroleum, natural gas, metals, and timber accounted for more than 80% of Russian exports, leaving the country vulnerable to fluctuations in world prices. Fuel was also a major source of government tax revenue. As a result of the crisis, Russia declared that it would default on state securities, the rouble fell sharply, and for a long period, imported goods became inaccessible to Russia's population.

and the rights to exhibit them on DVD are sold to the exhibitor at a fixed price and for a fixed term.

1.5 Film distribution and exhibition market volume

Russia's film distribution year traditionally starts on 01 December and ends on 30 November. Since this system was put in place in 1997, independent industry publication *Film Business Today Magazine*[56] has compiled box office statistics by collecting data from distributors. A box office database for films going back to 2004 is also available on the website of the Alliance of Independent Film Distribution Companies (ANKO)[57], which brings together major Russian distributors. In 2006, another industry magazine, *Booker's Bulletin* also started compiling detailed data.[58] Currently, box office statistics are also published by online magazine *ProfiCinema*[59] in collaboration with research company Movie Research.[60] However, every available source of information about Russia's box office receipts comes with a high margin of error, for a number of reasons:

- information is collected exclusively from distributors. This leaves exhibitors free to distort the information in either direction in hopes of boosting their ratings edge over the competition. Distributors themselves have admitted that this is the case, though they claim that in the last few years, they've steered clear of such manipulations;
- distributors, in turn, receive box office and admission statistics directly from the cinemas, often without any corroboration from automatic electronic control systems, since the majority of screens not owned by a chain don't have these systems installed. As a result, many distributors suspect cinemas of fudging the numbers;
- information is compiled and published by film title, rather than by date. This makes it impossible to accurately capture a film's box office results for a specific time period;
- distributors don't organize their box office receipts by city or region, and don't even sort data by CIS countries (except Ukraine) covered by their distribution rights.

Many market players expected the introduction of the unified automated cinema exhibition information system (UAIS) in 2010 to resolve this problem of statistical credibility.[61] Currently however, this system is not fully functional. We must also note that in late 2008, Rentrak Corporation, which collects statistics for Russian representatives of major studios, entered the Russian market. Research is conducted using a call-centre and through online communication with automated systems of certain cinema chains (including Cinema Park, KinoStar, Kronverk Cinema, and Formula Kino). However, this data is not available to the public.

Despite difficulties in obtaining information by analysing Russia's box office receipts and admission statistics, the volume of the Russian film distribution market can be described based on the following assumptions:

- before 2004, *Film Business Today* published aggregate data for countries of the CIS, including Ukraine. Experts at Nevafilm Research estimate that Russia's box office receipts during this period were 85% of total CIS sales, while admissions (previous calculations didn't include this indicator) were 90% of the total for the CIS;
- since 2005, statistics for Ukraine have been listed separately. We estimate that for 2005-2007, Russia's film market made up 97% of box office receipts in the CIS (without Ukraine) and 98% of tickets sold;
- correlation of data between countries of the CIS and Russia 2008-2009 pointed to UPI, 20th Century Fox CIS, Karo Premiere, Karoprokat, Walt Disney Sony Pictures Releasing (WDSPR), Central Partnership, and Nashe Kino as Russia's largest distributors, who collectively hold more than 80% of the film distribution market according to total box office receipts. Based on these results, Nevafilm Research conducted a poll of the market leaders. We estimate that the weighted average share of films distributed in Russia (not counting CIS countries, besides Ukraine) was 95.6% of admissions in 2008 and 95.2% in 2009, and made up 95.6% of box office in 2008 and 95.9% in 2009. These statistics were used in evaluating the total results for film distribution in Russia (percentages from 2009 were also used for 2010). As of writing this, we have access to data up to 01 December 2010. Therefore, the total number of releases for the 2010 distribution year has already been established, while the admission and box office receipts data will keep changing as long as these films remain in cinemas.

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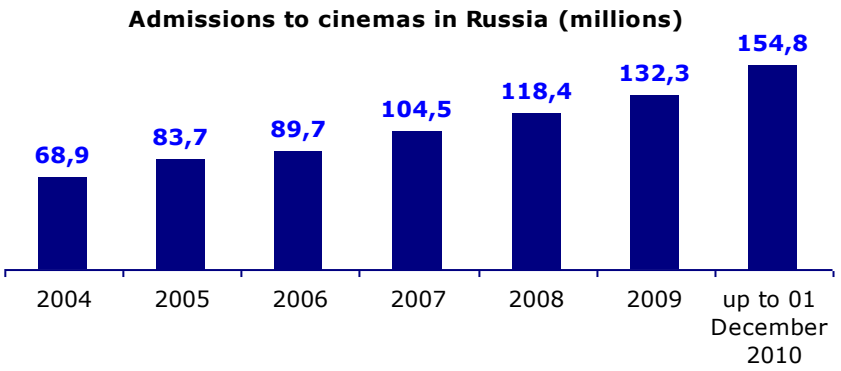
[56] http://www.kinobusiness.com has been keeping records of box office receipts in the country.
[57] http://www.np-anko.ru
[58] kinometro.ru began collecting similar information.
[59] http://www.proficinema.ru
[60] http://www.movieresearch.ru
[61] See paragraph 3, section 1.2.3 of this report.



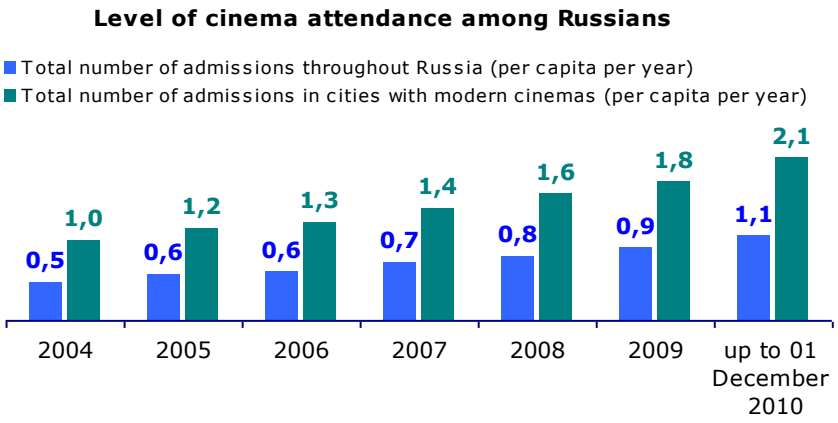
Source: Film Business Today Magazine *(data on CIS, excluding Ukraine from 2005)*
Nevafilm Research (assessment of Russia as a % of CIS: 95.2% in 2009-2010, 96.5% in 2008, 98% in 2005-2007 and 90% in 2004)

Figure 33. Cinema admissions in Russia

In 2010, cinema admissions in Russia reached 155 million viewers. This indicator has grown steadily since 2007 at an average of 14% a year, driven mainly by two factors:

- expansion of the cinema network. Between 2005 and 2008, at least 20 cities with new modern screens appeared on the country's "cinema map" every year. It wasn't until the crisis of 2009 when the number of cities with new modern cinemas fell to nine. In 2010, this number climbed to 15;

- revival of the cinema-going habit, lost during the 1990s. Since 2004, the overall level of film consumption in Russia doubled from 0.5 to 1.1 visits per person per year. Adjusted for the number of residents in cities featuring modern screens, this number reached 2.1 visits a year in 2010.



Source: Russian State Statistics Agency, Film Business Today Magazine, *Nevafilm Research (calculated by dividing admissions by Russia's population)*

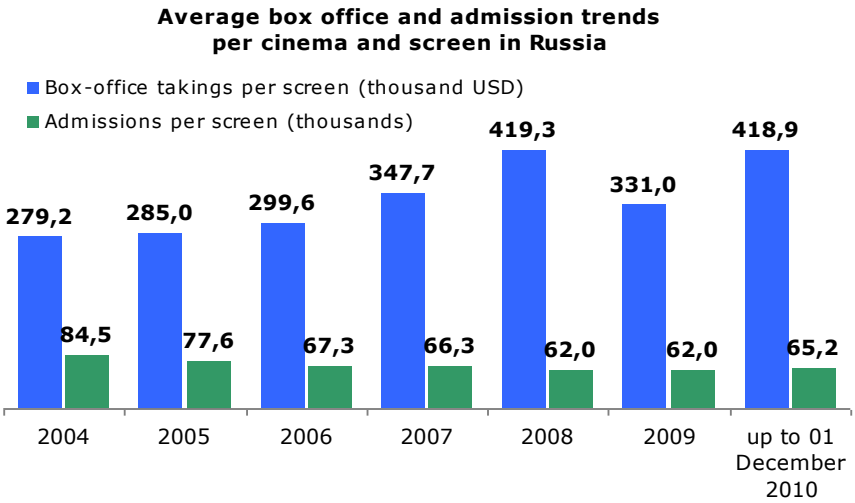
Figure 34. Level of cinema admissions among Russians

Russia's box office receipts are growing at an ever more impressive pace: around 40% per year (in dollar terms), with the exception of the crisis of 2009, when, for the first time in modern Russian history, box office figures in hard currency showed negative growth (-12%), caused by devaluation of the rouble during late 2008 – early 2009). Still, even then, the rouble volume of the film distribution market continued to grow, albeit at a lower rate (currently at 13%). However, the results for 2010 so far show that the Russian theatrical distribution crisis is over, and the box office receipts have nearly reached a billion dollars.

Source: Film Business Today Magazine *(data on CIS, excluding Ukraine from 2005)*
Nevafilm Research (assessment of Russia as a % of CIS: 95.9% in 2009-2010, 96.5% in 2008, 97% in 2005-2007 and 85% in 2004)

Figure 35. Box office receipts in Russian theatrical distribution

So far, we can consider growth in the number of modern cinemas and screens in Russia to be confirmed, since per-screen box office receipts have continued to grow steadily (with the exception of the crisis of 2009, though even then, the rouble equivalent showed growth). It's interesting to note that the number of visits per screen, which was constantly on the decline, remained steady based on the results of 2009, and even grew in 2010, thanks to viewers' increased interest in 3D releases.



Source: Film Business Today Magazine, *Nevafilm Research*

Figure 36. Box office receipts and admissions per screen

Finally, when we talk about the volume of the theatrical distribution market, we must note that distributors in Russia traditionally receive 50% of box office receipts (without accounting for minimum guarantee and flat fee agreements, since public information about these deals doesn't exist). At the same time, cinemas are liable for the royalties for public use of music as part of an audiovisual production. The minimum rate set by the law is 3% of box office receipts. Large chains, however, sign special deals with the Russian Authors' Association, which is authorized to collect these royalties, while many independent cinemas are lobbying for the abolishment of this regulation and refuse to sign any such deals. As a result, average royalty payments made by cinemas can be estimated at about 1.5% of box office receipts. In other words, the exhibitors get to keep a total of 48.5%. Cinemas also have additional sources of income, the largest of them being revenues generated by the placement of ads inside the cinema complex, and by concession sales.

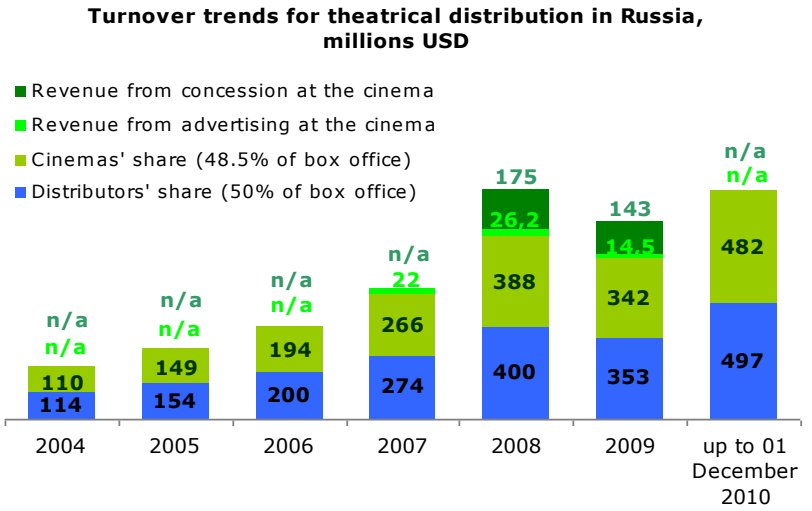
Experts at Cinema 360[62] estimate that the cinema advertising market was USD 22 million in 2007, USD 26.2 million in 2008, and USD 14.5 million in 2009. It's clear that an overall drop in

[62] http://www.kino-kontakt.ru

the advertising market has affected cinemas more than other media, since the crisis led advertisers to favour traditional media, especially television, where the cost of advertising dropped. Exhibitors responded by uniting and changing the conditions of their cooperation with advertisers. In mid-2009 several of the largest cinema chains united under the umbrella of Cinema 360's Kino Contact! campaign. The project is designed to guarantee advertisers a set number of viewers who will see the ad, rather than a set number of screenings or number of weeks during which ads will be shown in cinemas. However, these advertising sale conditions demanded a full disclosure of the number of ticket sales from market participants. The cinema advertising market split into two camps, based on companies' willingness to submit to these conditions. The first group – the Kino Contact! group – included cinemas which agreed to release their admission reports to advertisers: KinoStar, Cinema Park, Kronverk Cinema, Kinomax, 5 Zvezd, Mirage Cinema, Kinoplex, and a number of independent cinemas. The other centre of advertising activity is represented by the Karo Film and Formula Kino chains. Both established market brands, these companies are able to command high prices for their services.

Experts from the Business Russia group[63] estimate that growth of the cinema concession industry slowed in 2009, due both to a decrease in the number of new cinemas and a decline in sales volumes. In addition, devaluation of the rouble increased the prices cinemas had to pay for foreign products and raw materials, while at the same time boosting demand for domestic products (primarily drinks with low alcohol content). Until mid-2009, viewers preferred to limit their popcorn spending, particularly at expensive 3D shows. In response, the largest Russian cinema concession companies expanded their selection of combo deals, toppers, and souvenirs, all of which have become an essential part of the modern cinema concession stand, and have helped bolster cinemas' profits. In the second half of the year, average earnings began to rise. In 2009, the cinema concession market amounted to USD 143 million, just a 5% drop from 2008 (USD 175 million).

If we combine the available data on cinemas' exhibition, concessions, and advertising sales, we can sum up the volume of overall sales in the cinema market as follows[64]: in 2008, USD 590 million; in 2009, USD 500 million. If we include the distributors' share, Russian cinema distribution returns reached $990 million USD in 2008 and $853 million USD in 2009. Thus, the crisis resulted in about 14% drop in sales.



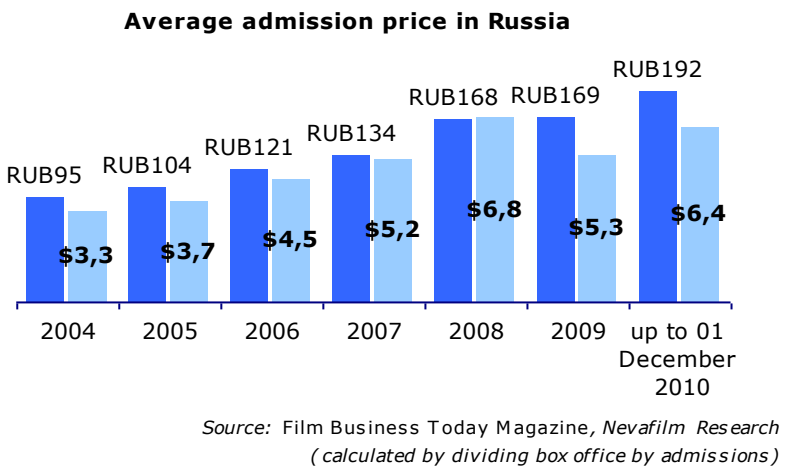
Source: Film Business Today Magazine, *Cinema 360, Business Russia. Nevafilm Research*

Figure 37. Trends in Russia's cinema market returns

1.6 Film ticket prices

In the last few years, an increase in the average ticket price has remained the principal driving force behind the growth in Russia's gross box office receipts. This is true both for prices in roubles and in their dollar equivalent, although the latter also reflect variations in the currency exchange rates, particularly since the rouble's devaluation in 2009, when the average ticket price in hard currency terms fell by 21%.

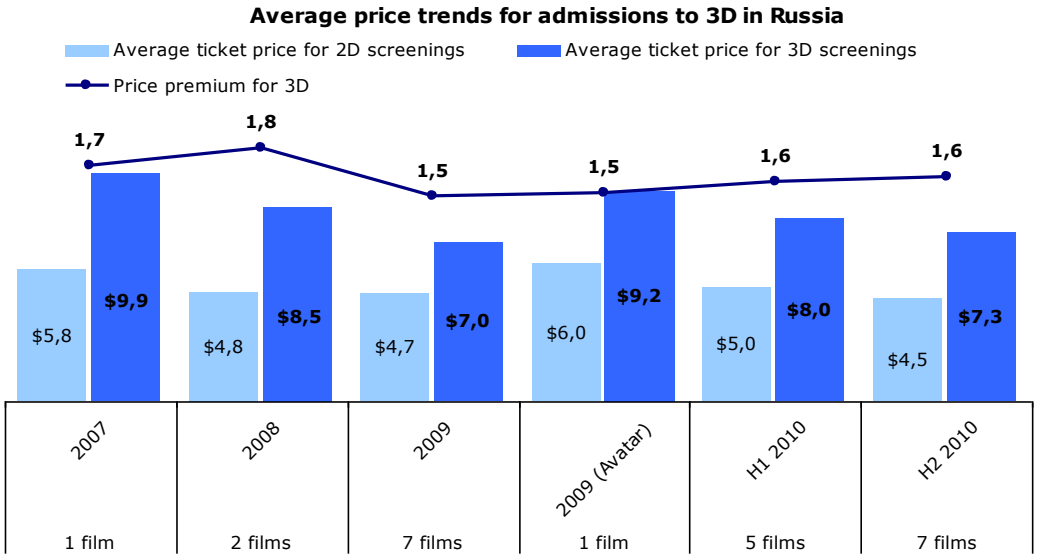
[63] http://www.trapeza.ru
[64] Currently, full information about the volume of the exhibition market, including advertising and concession sales, is only available for 2008 and 2009.



Source: Film Business Today Magazine, *Nevafilm Research (calculated by dividing box office by admissions)*

Figure 38. Average film admission price in Russia

The sharp rise in admission prices in 2010 was driven by an increase in the number of 3D films and their wider availability – a direct result of the expanding 3D cinema network. At the same time, if we compare the average price of admission to 2D and 3D versions of the same film, we see very little variation. In 2007-2008, 3D screenings cost 1.7-1.8 times more than regular shows. In 2009, the price of 3D tickets fell (even tickets to *Avatar* were only 50% more expensive). Ticket prices rose again in 2010: currently, 3D shows are 1.6 times more expensive than 2D shows, although ticket absolute values dropped in the second half of the year.



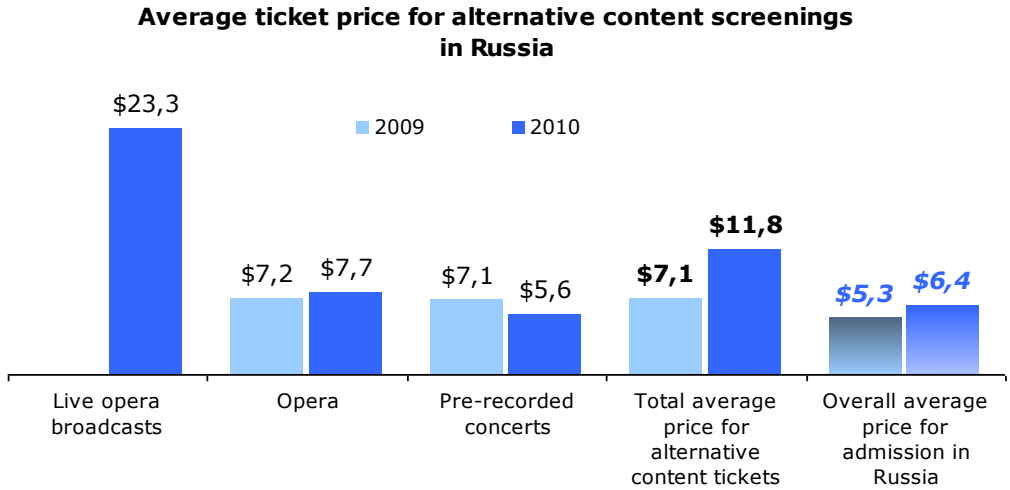
Source: Booker's Bulletin, *Nevafilm Research*

Figure 39. Trends in the average price of a ticket to a 3D film in Russia

We must note that alternative content for digital cinemas also allows exhibitors to raise ticket prices. Based on the distribution results of Nevafilm Emotion programs, in 2009, the average price of admission[65] to alternative programming shows was an average of 30% higher than the country's overall cinema ticket price (USD 7.10 compared to 5.30), while in 2010, the difference in prices reached 80% (USD 11.80 compared to 6.40). The main reason for this increase was the introduction of live opera broadcasts from St. Petersburg, Moscow, and Kaliningrad into the digital cinema repertoire. Prices for this kind of event exceed USD 20.00 – 260% higher than the country's average ticket prices. Even without accounting for live

[65] The average price of admission to alternative content screenings is calculated by sorting the box office receipts by title, then averaging the results for all films, as well as for each type. Concert films include *Posledniy Geroy. Dvadtsat Let Spustya* [*Last Hero: 20 years later*]; *Iron Maiden: Flight 666*; *Tribute to Luciano Pavarotti: One Amazing Weekend in Petra*; *George Michael: Live in London*; Monty Python's comedic oratorio *Not the Messiah (He's a Very Naughty Boy)*, and the film-opera *La Boheme* starring Anna Netrebko and Rolando Villazon.

broadcasts, opera performances on Russia's digital screens cost an average of 20-30% more than a regular ticket. While in 2009 concert films were 30% more expensive than regular tickets, 2010 saw their prices drop 10-15% below regular ticket prices. This drop is due to a wider availability of this type of content: pop, rock, and even classical music concerts are now offered in more cinemas and at more affordable prices than operas, which are targeting a high-brow, "elite" segment of the population.



Source: Nevafilm Nevafilm Emotion, Film Business Today Magazine

Figure 40. Average ticket price for alternative content shows

1.7 Principal market players

1.7.1 Exhibition

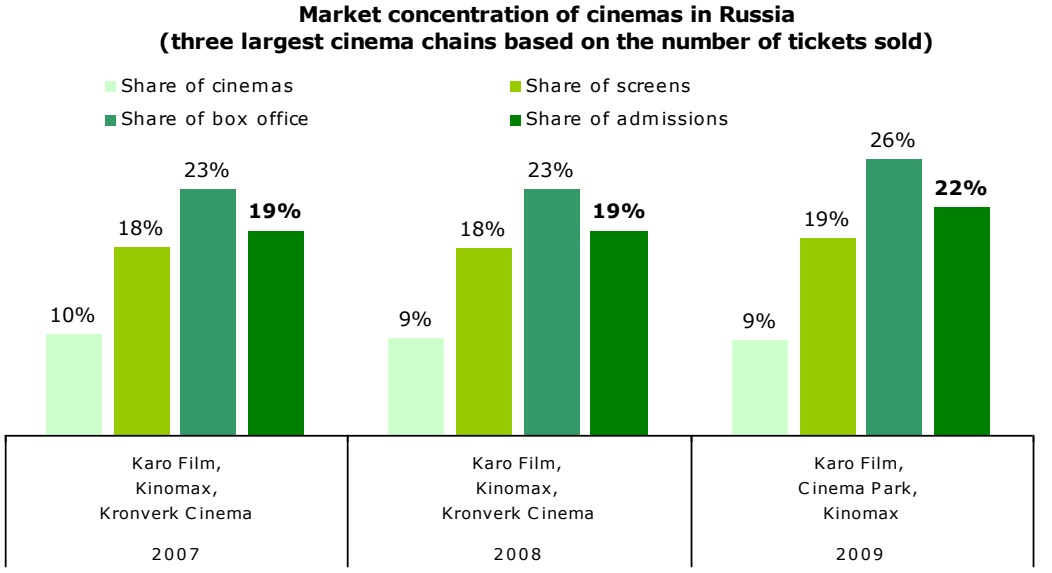
The Russian cinema exhibition market is highly fragmented. It has around 500 players, including 82 cinema chains and more than 400 independent cinemas. Of the chains on Russia's market, 21 operate on a nationwide level (managing cinemas in several federal districts), 8 operate on a regional level (working on the territories of several regions within a single federal district), and 53 local operate locally (each functioning within a single Russian region).

Table 15**. Fragmentation of Russia's exhibition market (working data as at 01 December 2010)**

Operator type	Number of operators	Number of cinemas	Number of screens	Market share by number of screens
Nationwide chains	21	206	1090	46%
Regional chains	8	77	180	8%
Local chains	53	160	370	16%
Independent cinemas	417	417	733	31%
Total in Russia	**499**	**860**	**2,373**	**100%**

Source: Nevafilm Research

Based on data from the three largest cinema chains in Russia (by total number of tickets sold per calendar year), Russia's film exhibition market concentration remains substantially lower than that of many European countries. In 2009, this index rose compared to data from 2007 and 2008. The top three leadership spots also saw some changes: the third place, traditionally occupied by Kronverk Cinema, went to the Kinomax chain, while Cinema Park skipped from fourth to second place, and Karo Film held on to the top spot. By the end of 2009, the three leading companies held a 21.6% share of overall Russian cinema admissions. The share of box office receipts collected in cinemas belonging to these chains reached 26.3% of Russia's total.



Source: Company data; Booker's Bulletin *(admissions and box office for the calendar year); Nevafilm Research*

Figure 41. Russian film exhibition market concentration

We must also note that non-profit cinema operators' unions have lately been gaining strength on the Russian exhibition market. In addition to lobbying for operators' interests with government agencies, these unions also offer their members various services, such as legal support, court representation, etc. The largest of these is Kinoalliance, the Alliance of National Film Theatre Organisations[66], which formed in 2004 to represent cinemas' interests. The non-profit partnership includes Karo Film, Kinomax, Kronverk Cinema, Luxor, Formula Kino, Paradise, and Centerfilm. Data as at 01 December 2010 shows that members of this group account for 29.4% of Russia's modern cinemas. Kinoalliance also organizes Kinoexpo, one of the two leading expos on the Russian distribution and exhibition market. In March 2010, Kinoalliance reached an agreement to form a coalition with another non-profit partnership—the Yekaterinburg-based National Association of Cinema (NAC), which unites the regional chains and independent cinemas of the Urals, Siberia, and the Far East. In practice, however, the deal never went through. What's more, soon after the agreement was announced, NAC ceased virtually all public activity. Meanwhile, April 2010 saw the birth of another non-profit partnership: Strategy Kino, which "undertakes to defend the interests of all participants in the process of production, promotion, and distribution of films and other audiovisual products". This autumn, the organization completed the legal registration process and began enrolling members, the largest of which so far is Krasnodar-based Monitor cinema chain. This partnership is advocating the complete abolition of payments to composers who belong to the RAO. This is the main difference between its position and that of Kinoalliance, which is working to decrease these mandatory payments from the current 3% of box office receipts to 0.15-0.25%.

[66] http://www.kinoalliance.ru

Table 16. Russian cinema chains

Ranking as at 01 December 2010 (by number of screens)	Name of chain (website)	Date the chain's first cinema opened	Owner (holding company)	Management company	Type of chain	Head office	Geographical range of the chain: regions (number of cities with the chain's presence)	Coverage	Chain composition (working data as at 01 December 2010)					Chain structure	Additional activities of the holding company	Membership in public organizations
									Number of cinemas	Number of screens	Number of digital cinemas	Number of digital screens	IMAX screens (planned, by year)			
1	Karo Film (http://www.karofilm.ru)	1997	Karo Holding	Karo Film Management Company	Nationwide	Moscow	Moscow, St. Petersburg, Republic of Tatarstan (1), Krasnodar Territory (1), and the Kaliningrad (1), Moscow (2), Nizhny Novgorod (1), and Samara (1) Regions	Central Federal District, Northwestern Federal District, Volga Federal District	34	170	28	50	0 (2 - 2011, 1 - 2012)	1 cinema (1 screen), with collaborative schedule planning	Film distribution (Karo Premiere and Karoprokat), film production (Karo Production)	Kinoalliance Non-Profit Partnership
2	Cinema Park (http://www.cinemapark.ru)	2002	Prof-Media Holding	Cinema Park	Nationwide	Moscow	Moscow, St. Petersburg, Republic of Bashkortostan (1), Republic of Tatarstan (1), and the Belgorod (1), Volgograd (1), Nizhny Novgorod (1), Novosibirsk (1), Perm (1), Tyumen (1), Chelyabinsk (1), and Yaroslavl (1) Regions.	Central Federal District, Northwestern Federal District, Volga Federal District, Siberian Federal District, Urals Federal District, Southern Federal District	17	140	17	58	1 (2-2010, 4 - 2011, 7 - 2012)	All cinemas are owned by the head management company	Theatrical distribution and film production (Central Partnership), television (TV3, 2x2, MTV), Internet rights (Ivi.ru), radio (Autoradio, Energy, Broadcasting Corporation), print media (*Afisha*), the Internet (Rambler.ru, Afisha.ru)	
3	Kinomax (http://www.kinomax.ru)	1996	-	Kinomax, Plazma Media (franchise with 4 cinemas, 14 screens)	Nationwide	Moscow	Moscow, St. Petersburg, the Krasnoyarsk (1) and Krasnodar (1) Territories, Republic of Mordovia (1), Republic of Tatarstan (1), the Udmurtian Republic (1), and: Vladimir (1), Volgograd (1), Voronezh (1), Moscow (1), Perm (1), Rostov (1), Sverdlovsk (3), Tambov (1), Tomsk (1), Chelyabinsk (1), and Yaroslavl (1) Regions	Central Federal District, Southern Federal District, Urals Federal District, Volga Federal District, Siberian Federal District	25	112	16	19	-	The chain includes 6 cinemas (18 screens) on a franchise basis	-	Kinoalliance Non-Profit Partnership
4	Kronverk Cinema (http://www.kronverkcinema.ru)	2001	Eurasia Cinemas B.V. (A1, the investment division of Alpha Group)	Epos	Nationwide	St. Petersburg	Moscow, St. Petersburg, and the Murmansk (1), Novosibirsk (1), and Chelyabinsk (1) Regions	Central Federal District, Southern Federal District, Urals Federal District, Siberian Federal District	16 (+1 in Ukraine; +28 in Turkey)	105 (+7; +193)	7 (-; n/a)	7 (-; 18)	- (-; 2)	All cinemas are owned by the head management company	Finance, AFM cinema chain (Turkey)	Kinoalliance Non-Profit Partnership
5	Luxor (http://www.luxorfilm.ru)	2002	Luxor Group	Cinemamanagement	Nationwide	Moscow	Moscow, the Lipetsk (1), Moscow (5), Rostov (1), and Ryazan (1) Regions	Central Federal District, Volga Federal District	17	91	17	35	-	1 cinema (4 screens), with collaborative schedule planning	Film distribution (Luxor), video distribution (Luxor)	Kinoalliance Non-Profit Partnership

Ranking as at 01 December 2010 (by number of screens)	Name of chain (website)	Date the chain's first cinema opened	Owner (holding company)	Management company	Type of chain	Head office	Geographical range of the chain: regions (number of cities with the chain's presence)	Coverage	Chain composition (working data as at 01 December 2010)					Chain structure	Additional activities of the holding company	Membership in public organizations
									Number of cinemas	Number of screens	Number of digital cinemas	Number of digital screens	IMAX screens (planned, by year)			
6	KinoStar (http://www.kinostardelux.ru)	2003	UFG Private Equity investment fund	Rising Star Media	Nationwide	Moscow	Moscow, St. Petersburg	Central Federal District, Northwestern Federal District	6	75	6	36	3	All cinemas are owned by the head management company	Finance	Kinoalliance Non-Profit Partnership
7	Formula Kino (http://www.formulakino.ru)	1998	-	Formula Kino Management Company	Nationwide	Moscow	Moscow, St. Petersburg	Central Federal District, Northwestern Federal District	12	71	12	29	0 (2 - 2010)	All cinemas are owned by the head management company	-	Kinoalliance Non-Profit Partnership
8	Premier-Zal (http://www.premierzal.ru)	2003	-	Premier Zal	Regional	Yekaterinburg	Khanty-Mansi Autonomous Area (9), the Kurgan (1), Sverdlovsk (17), and Chelyabinsk (5) Regions	Urals Federal District	40	55	16	17	-	33 cinemas (38 screens), with collaborative schedule planning	-	National Association of Cinemas (NAC) Non-Profit Partnership
9	5 Zvezd (Paradise) (http://www.5zvezd.ru)	1997	Paradise Holding	Paradise Productions	Nationwide	Moscow	Moscow, the Volgograd (1), Kostroma (1), Kursk (1), Moscow (1), and Samara (1) Regions	Central Federal District, Southern Federal District	9 (+2 in Armenia)	50	9	18	-	All cinemas are owned by the head management company	Film distribution (Paradise), film production (Paradise Productions), annual Window to Europe Russian cinema festival, an annual international film festival for children and youth, television (two channels in Armenia and a satellite channel in the USA and South America), monthly film magazine *Rolan*	Kinoalliance Non-Profit Partnership
10	Monitor (http://www.kinomonitor.ru)	2004	-	Monitor	Nationwide	Krasnodar	Republic of Adygea (1), Chechnya (1), Krasnodar (6) and Stavropol (3) Territories	Southern Federal District, North Caucasian Federal District	16	45	8	14	0 (1 - 2010)	6 cinemas (13 screens), with collaborative schedule planning	-	Strategiya Kino Non-Profit Partnership
11	Cinema Star (http://www.cinema-star.ru)	2006	Tashir Group	Kinopokaz strani	Regional	Moscow	Moscow, the Belgorod (1), Kaluga (1), Moscow (2), and Yaroslavl (1) Regions	Central Federal District	8	45	6	6	-	1 cinema (2 screens) on franchise basis	Commercial real estate development	
12	Kinoplex (http://www.kinoplex.net)	2001	Café Project	InvestKinoProject	Nationwide	Moscow	Volgograd (2), Samara (2), and Sverdlovsk (1) Regions	Southern Federal District, Urals Federal District, Volga Federal District	6	42	4	4	-	All cinemas are owned by the head management company	Restaurants, bars, cafés, clubs	
13	Cinema Invest	2008	Profit Cinema	Cinema Invest	Nationwide	Moscow	Moscow, Republic of Tatarstan (1), Orenburg (1) and Sverdlovsk (1) Regions	Central Federal District, Volga Federal District, Urals Federal District	6	37	6	11	-	All cinemas are owned by the head management company	-	
14	Art & Science Cinema Distribution (http://www.kino.nsk.ru)	1991	-	Art & Science Cinema Distribution	Regional	Novosibirsk	Republic of Altai, Altai Territory, Kemerovo (1) and Novosibirsk (1)	Siberian Federal District	11	30	2	2	-	All cinemas are owned by the head management	-	

Ranking as at 01 December 2010 (by number of screens)	Name of chain (website)	Date the chain's first cinema opened	Owner (holding company)	Management company	Type of chain	Head office	Geographical range of the chain: regions (number of cities with the chain's presence)	Coverage	Chain composition (working data as at 01 December 2010)					Chain structure	Additional activities of the holding company	Membership in public organizations
									Number of cinemas	Number of screens	Number of digital cinemas	Number of digital screens	IMAX screens (planned, by year)			
							Regions							company		
15	Kinoexpert	2004	Concern Tractor Plants	Kinoexpert	Nationwide	Moscow	Republic of Bashkortostan (1), Chuvash Republic (1), the Kirov (1), Moscow (1), and Chelyabinsk (1) Regions	Urals Federal District, Volga Federal District, Central Federal District	8	24	6	7	-	n/a	Mechanical engineering	
16	Centerfilm (http://www.centerfilm.ru)	2001	-	Professional Operation Center	Nationwide	Moscow	Moscow, Moscow (2) and Nizhny Novgorod (1) Regions	Central Federal District, Volga Federal District	8	23	2	2	-	All cinemas are owned by the head management company	-	Kinoalliance
17	West	2003	West Group	West	Local	Moscow	Moscow	Central Federal District	4	22	3	9	-	All cinemas are owned by the head management company	Film distribution (West), video distribution (West Video)	
18	Kinomechta (http://www.planetabowling.ru)	2001	Sozvezdie Razvlecheniy Group	Planeta Razvlecheniy	Nationwide	Moscow	Republic of Tatarstan (1), Samara (1) and Tyumen (1) Regions	Volga Federal District, Urals Federal District	3	22	3	5	-	All cinemas are owned by the head management company, but scheduling is handled by DVI Cinema	Bowling clubs (Planet bowling), entertainment centres (Sozvezdie Razvlechenii), children's entertainment complexes (Dinoplaneta)	
19	Mori Cinema (http://www.mori-cinema.ru)	2007	-	Mori Cinema Management Company	Nationwide	Moscow	St. Petersburg, Krasnoyarsk (1) and Vologda (1) Regions	Northwestern Federal District, Siberian Federal District	3	20	3	4	-	All cinemas are owned by the head management company	-	
20	DVI Cinema (http://www.dvi-group.ru, http://www.roliks.com, http://www.sveto4r.ru)	2007	DVI Holding	DVI Cinema	Nationwide	Moscow	the Udmurt Republic (1), the Moscow (2), Volgograd (2), Penzen (1), and Perm (1) Regions	Volga Federal District, Central Federal District	5	19	4	5	-	2 cinemas (7 screens) under management of TRK Holding, 3 cinemas (12 screens) with collaborative schedule planning, and the Kinomechta chain (not considered to be part of the chain)	Commercial real estate development	
21	Mirage Cinema (http://www.mirage.ru)	2001	-	Mirage Cinema	Local	St. Petersburg	St. Petersburg	Northwestern Federal District	4	19	4	7	-	All cinemas are owned by the head management company	-	
22	Very Velly (http://www.idemvkino.ru)	2001	-	Very Velly	Regional	Perm	the Udmurt Republic (1), Perm Region (1)	Volga Federal District	4	19	3	4	1 (0)	All cinemas are owned by the head management company	Entertainment centres (bowling, karaoke)	
23	Kino City (http://www.kino-city.ru)	2010	74% will belong to Rosimushchestvo (as of 19 November 2010, the project is slated to be a public-private partnership).	Kino City	Nationwide	Moscow	St. Petersburg, Novosibirsk Region (1)	Siberian Federal District, Northwestern Federal District	2	16	1	3	-	All cinemas are owned by the head management company	Project for the development of culture centres with digital screens in small cities, supported by the United Russia Party	

Ranking as at 01 December 2010 (by number of screens)	Name of chain (website)	Date the chain's first cinema opened	Owner (holding company)	Management company	Type of chain	Head office	Geographical range of the chain: regions (number of cities with the chain's presence)	Coverage	Chain composition (working data as at 01 December 2010)					Chain structure	Additional activities of the holding company	Membership in public organizations
									Number of cinemas	Number of screens	Number of digital cinemas	Number of digital screens	IMAX screens (planned, by year)			
24	Atrium Kino (http://www.atrium-omsk.ru)	2007	-	Atrium Kino	Local	Omsk	Omsk Region (1)	Siberian Federal District	2	15	2	4	-	Municipal cinema managing several properties	-	
25	Planeta Kino (http://www.kinoufa.ru)	2003	-	Planeta Kino	Local	Ufa	Republic of Bashkortostan (2)	Volga Federal District	4	14	4	5	-	All cinemas are owned by the head management company	-	
26	Megapolis (http://www.mega74.ru)	2006	-	Imperiya Igr	Nationwide	Chelyabinsk	Republic of Bashkortostan (1), Chelyabinsk Region(1)	Volga Federal District, Urals Federal District	2	14	3	5	-	All cinemas are owned by the head management company	Cultural/entertainment complex and café chain	
27	Barguzin (http://www.barguzin.net)	2001	-	Barguzin	Local	Irkutsk	Irkutsk Region (2)	Siberian Federal District	6	13	3	3	-	All cinemas are owned by the head management company	-	
28	Planeta Kino (http://www.kino.vesta-mc.ru)	2005	-	Vesta Management Company	Local	Novokuznetsk	Kemerovo Region (2)	Siberian Federal District	4	13	-	-	-	All cinemas are owned by the head management company	Entertainment centres, restaurants and cafés, a bowling centre in Novokuznetsk	
29	Metelitsa Baikal (http://www.metelitsa.tv)	2002	-	Metelitsa	Local	Irkutsk	Irkutsk Region (5)	Siberian Federal District	7	12	5	6	-	All cinemas are owned by the head management company	-	
30	Illusion (http://www.illuzion.ru)	1999	-	Cinema	Local	Vladivostok	Primorye Territory (3)	Far Eastern Federal District	6	12	5	6	-	All cinemas are owned by the head management company	-	
31	Dom Kino (http://www.tyumen-kino.ru)	2006	-	Tyumen Dom Kino	Local	Tyumen	Tyumen Region (1)	Urals Federal District	4	12	1	1	-	Municipal cinema managing several properties	-	
32	Ostrov Sokrovishch (http://www.kinoostrov.ru)	2008	-	Nevod Invest	Local	Astrakhan	Astrakhan Region (1)	Southern Federal District	2	12	2	2	-	Municipal cinema managing several properties	-	
33	Chain of Children's Cinemas in Moscow	2004	Municipally owned	Moscow Department of Culture	Local	Moscow	Moscow	Central Federal District	7	10	-	-	-	All cinemas are owned by the head management company	-	
34	Mir Kino (http://www.amurkino.ru)	1998	-	Mir Kino Company	Regional	Blagoveshchensk	Khabarovsk Territory (1), Amur Region (2)	Far Eastern Federal District	6	9	4	6	-	All cinemas are owned by the head management company	-	
35	Vega-Film (http://www.vega-tlt.ru)	2005	-	Vega-Film	Regional	Tolyatti	Samara (1) and Ulyanovsk (1) Regions	Volga Federal District	3	9	2	3	-	All cinemas are owned by the head management company	-	
36	Cinema Mir (http://www.poravkino.ru)	2009	-	Cinema Mir	Local	St. Petersburg	St. Petersburg	Northwestern Federal District	2	9	2	3	-	All cinemas are owned by the head management company	-	

Ranking as at 01 December 2010 (by number of screens)	Name of chain (website)	Date the chain's first cinema opened	Owner (holding company)	Management company	Type of chain	Head office	Geographical range of the chain: regions (number of cities with the chain's presence)	Coverage	Chain composition (working data as at 01 December 2010)					Chain structure	Additional activities of the holding company	Membership in public organizations
									Number of cinemas	Number of screens	Number of digital cinemas	Number of digital screens	IMAX screens (planned, by year)			
37	Kazak-Film	2001	-	Kazak-Film	Nationwide	Rostov-on-Don	Rostov Region (1), Stavropol Territory (4)	Southern Federal District, North Caucasian Federal District	6	8	1	1	-	All cinemas with collaborative schedule planning	-	
38	Khabarovsk Kinotsirkovoe Obedinenie	2002	Municipally owned	Khabarovsk Kinotsirkovoe Obedinenie	Local	Khabarovsk	Khabarovsk Territory (1)	Far Eastern Federal District	6	8	-	-	-	All cinemas are owned by the head management company	-	
39	Moskovskoe kino (http://www.mos-kino.ru)	2004	Municipally owned	Moscow Department of Culture	Local	Moscow	Moscow	Central Federal District	5	8	2	2	-	All cinemas are owned by the head management company	Film distribution in municipal cinemas	
40	SOK	2003	-	Kinomost	Local	Samara	Samara Region (1)	Volga Federal District	2	8	1	2	-	All cinemas are owned by the head management company	-	
41	Fabrika Kino - MV Cinema Group (http://www.mv-cinema.ru)	2005	-	Sole Proprietor V. S. Pokatskii	Local	Ulan-Ude	Republic of Buryatia (1)	Siberian Federal District	3	7	3	6	-	All cinemas are owned by the head management company	Evrozona retail and entertainment centre	
42	Interkino (http://www.ikino.ru)	2001	-	Interkino	Regional	Surgut	Khanty-Mansi Autonomous Area (1), Tyumen Region (1)	Urals Federal District	3	7	4	5	-	All cinemas are owned by the head management company	chain of restaurants and cafés in Surgut and Tyumen	
43	Kinomir	2000	-	Kinomir	Local	Yuzhno-Sakhalinsk	Sakhalin Region (1)	Far Eastern Federal District	3	7	2	3	-	All cinemas are owned by the head management company	-	
44	Charly (http://www.kinocharly.ru)	2006	-	Charly Cinema Chain	Local	Rostov-on-Don	Rostov Region (1)	Southern Federal District	2	7	2	5	-	All cinemas are owned by the head management company	-	
45	Spartak (http://www.kinospartak.ru)	2002	-	SP Viplast	Local	Voronezh	Voronezh Region (2)	Central Federal District	2	7	1	2	-	Municipal cinemas managing several properties	-	
46	Kinomir (http://www.kino-mir.ru)	2002	-	Kinomir	Local	Barnaul	Altai Territory (1)	Siberian Federal District	2	7	2	2	-	All cinemas are owned by the head management company	-	
47	Sezon Cinema (http://www.sezonkino.ru)	2004	Sezon Group	n/a	Local	Moscow	Moscow	Central Federal District	2	7	1	1	-	All cinemas are owned by the head management company	Sales of audiovisual products and associated merchandise (Sezon Multimedia retail chain)	
48	Almaz Cinema (http://www.almazcinema.ru)	2009	-	Media-Atelier	Local	Moscow	Moscow	Central Federal District	5	6	3	3	-	All cinemas are owned by the head management company	-	

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49	Murmansk Cinema Concern (http://www.kino.murman.ru)	1999	Municipally owned	Murmansk Cinema Concern Municipal Unitary Enterprise	Local	Murmansk	Murmansk Region (1)	Northwestern Federal District	4	6	1	1	-	All cinemas are owned by the head management company	-	
50	Khabarovsk Innovative Technology Centre (http://www.citkhv.ru)	2006	Municipally owned	Khabarovsk Innovative Technology Centre	Local	Khabarovsk	Khabarovsk Territory (1)	Far Eastern Federal District	3	6	2	2	-	All cinemas are owned by the head management company	-	
51	Hollywood (http://www.kinoxa.ru)	2006	-	Telecom	Local	Khabarovsk	Khabarovsk Territory (1)	Far Eastern Federal District	2	6	2	3	-	Municipal cinema managing several properties	-	
52	Rossia (http://www.rcrossia.ru)	2003	-	Yuventa	Local	Yoshkar-Ola	Republic of Mari El (1)	Volga Federal District	2	6	2	3	-	Municipal cinema managing several properties	-	
53	Kinomir (http://www.kinolipetsk.ru)	2009	-	Kinomir	Local	Lipetsk	Lipetsk Region (1)	Central Federal District	2	6	2	2	-	All cinemas are owned by the head management company	-	
54	Luch (http://www.kinoluch.ru)	2008	-	Maltat	Regional	Krasnoyarsk	Krasnoyarsk Region (1)	Siberian Federal District	2	6	1	1	-	Municipal cinema managing several properties	-	
55	Imperiya Grez (http://www.ig.nnov.ru)	2000	Electronika Group	Electronika retail chain	Local	Nizhny Novgorod	Nizhny Novgorod Region (1)	Volga Federal District	4	5	2	2	-	All cinemas are owned by the head management company	Chain of home electronics and grocery stores, beauty salons, nightclubs and entertainment centres, and fitness clubs in the Nizhny Novgorod Region	
56	LenOblKino	2001	municipally owned	LenOblKino	Local	St. Petersburg	Leningrad Region (4)	Northwestern Federal District	4	5	2	2	-	All cinemas are owned by the head management company	-	
57	Ivanoff and Co.	2003	-	Ivanoff and Co. Management Company	Local	Ulyanovsk	Ulyanovsk Region (1)	Volga Federal District	3	5	2	2	-	All cinemas are owned by the head management company	Bowling centre, nightclub, restaurant chain, cafés, clubs	
58	Committee for Culture of St. Petersburg	2009	Municipally owned	Committee for Culture of St. Petersburg	Local	St. Petersburg	St. Petersburg	Northwestern Federal District	3	5	2	2	-	All cinemas are owned by the head management company	-	
59	Imperiya Kino	2005	-	Imperiya Kino Two Thousand	Local	Serpukhov	Moscow Region (1)	Central Federal District	2	5	-	-	-	All cinemas are owned by the head management company	-	
60	Kosmos (http://www.kocmoc42.ru)	2001	-	n/a	Local	Kemerovo	Kemerovo Region (1)	Siberian Federal District	2	5	-	-	-	Municipal cinema managing several properties	-	
61	Mayakovsky Cultural and Entertainment Centre (http://www.vvm.ru)	1999	-	Talir	Local	Omsk	Omsk Region (1)	Siberian Federal District	2	5	1	1	-	Municipal cinema managing	-	

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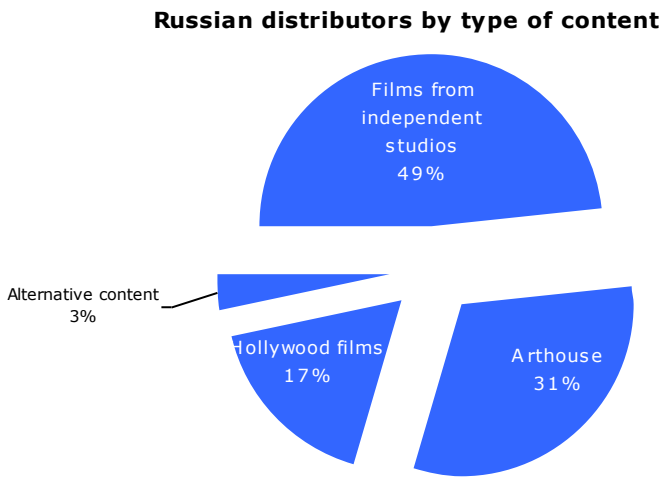
									Number of cinemas	Number of screens	Number of digital cinemas	Number of digital screens	IMAX screens (planned, by year)			
														several properties		
62	Oktyabr (http://www.october26.ru)	2005	-	Stavropol Film	Local	Stavropol	Stavropol Territory (2)	Southern Federal District	2	5	1	1	-	Municipal cinema managing several properties	-	
63	KinoTank (http://www.kinotank.tvsfera.ru)	2003	-	Telecompany Sfera PLC	Local	Nizhnevartovsk	Khanty-Mansi Autonomous Area (2)	Urals Federal District	3	4	1	1	-	Municipal cinema managing several properties	TV broadcasting (regional terrestrial TV company Sfera)	
64	Rodina	2001	-	n/a	Local	Norilsk	Krasnoyarsk Territory (2)	Siberian Federal District	3	4	1	1	-	Municipal cinema managing several properties	-	
65	Kinomir (http://www.kinomir.tom.ru)	2002	-	Kinomir Association	Local	Tomsk	Tomsk Region (2)	Siberian Federal District	2	4	-	-	-	All cinemas are owned by the head management company	-	
66	Mir Luxor (http://www.luxor.chuvashia.com)	1999	-	Viking-Luxor	Local	Cheboksary	Chuvash Republic (2)	Volga Federal District	2	4	2	3	-	Municipal cinema managing several properties	-	
67	Rodina (http://www.kinokompleks.net)	2003	-	Rodina	Local	Severodvinsk	Arkhangelsk Region (2)	Northwestern Federal District	3	3	-	-	-	Municipal cinema managing several properties	-	
68	Mosoblkino (http://www.mosoblkino.ru)	2003	municipally owned	Mosoblkino	Local	Moscow	Moscow Region (3)	Central Federal District	3	3	-	-	-	All cinemas are owned by the head management company	-	
69	Chekhov-Center (http://www.chekhov-center.ru)	2000	-	Chekhov International Theatre Center of Sakhalin	Local	Yuzhno-Sakhalinsk	Sakhalin Region (2)	Far Eastern Federal District	3	3	2	2	-	All cinemas are owned by the head management company	Cinema complex	
70	Enon	1998	-	Enon Management Company	Nationwide	Tolyatti	Samara (2) and Rostov (1) Regions	Volga Federal District, Southern Federal District	3	3	1	1	-	All cinemas are owned by the head management company	-	
71	Horizon	2008	-	Geoleks	Local	Krasnodar	Krasnodar Territory (2)	Southern Federal District	2	3	2	3	-	Municipal cinema managing several properties	-	
72	Armada-film (http://www.lunakino.ru)	2004	-	Armada-film	Local	Ulyanovsk	Ulyanovsk Region (1)	Volga Federal District	2	3	2	2	-	All cinemas are owned by the head management company	-	
73	Progress (http://www.erdem.ru)	2003	-	n/a	Local	Ulan-Ude	Republic of Buryatia (1)	Siberian Federal District	2	3	2	2	-	Municipal cinema managing several properties	-	
74	Lenkom (http://www.lenkom35.ru)	1999	Municipally owned	Vologda Kinocentre Municipal Unitary	Local	Vologda	Republic of Karelia (1)	Northwestern Federal District	2	3	2	2	-	All cinemas are owned by the head management	-	

Ranking as at 01 December 2010 (by number of screens)	Name of chain (website)	Date the chain's first cinema opened	Owner (holding company)	Management company	Type of chain	Head office	Geographical range of the chain: regions (number of cities with the chain's presence)	Coverage	Chain composition (working data as at 01 December 2010)					Chain structure	Additional activities of the holding company	Membership in public organizations
									Number of cinemas	Number of screens	Number of digital cinemas	Number of digital screens	IMAX screens (planned, by year)			
				Enterprise										company		
75	Pobeda Cinema Centre (http://www.kinobel.ru)	2001	-	Pobeda Cinema Centre	Local	Belgorod	Belgorod Region (1)	Central Federal District	2	3	2	2	-	Municipal cinema managing several properties	-	
76	Avangard	2003	-	Sole Proprietor Smirnova, S. Y.	Local	Yaroslavl	Yaroslavl Region (1)	Central Federal District	2	3	1	1	-	Municipal cinema managing several properties	-	
77	Profit Cinema International	2009	Profit Cinema International Holding	CinemaDistribution	Local	Serpukhov	Moscow Region (1)	Central Federal District	2	3	1	1	-	All cinemas are owned by the head management company	Film distribution (Profit Cinema International)	
78	Kalevala (http://www.kino.sampo.ru)	1999	-	Kalevala Cinema Centre	Local	Petrozavodsk	Republic of Karelia (1)	Northwestern Federal District	2	3	1	1	-	Municipal cinema managing several properties	-	
79	Dom Kino (http://www.domkino.ru)	2002	-	Magnitogorsk Dom Kino	Local	Magnitogorsk	Chelyabinsk Region (1)	Urals Federal District	2	2	2	2		Municipal cinema managing several properties	-	
80	Cocktail Club	2003	-	Cocktail Club Group	Local	Ivanovo	Ivanovo Region (1)	Central Federal District	2	2				Municipal cinema managing several properties	Club and restaurant chain	
81	Yunost	2003	municipally owned	Volzhsky Cinema Network Municipal Cultural Organization	Local	Volzhsky	Volgograd Region (1)	Southern Federal District	2	2				Municipal cinema managing several properties	-	
82	Star Cinema (http://www.star-cinema.ru)	2008	Star Cinema	Star Cinema	Inter-national	Almaty (Kazakhstan)	Republic of Tatarstan	Volga Federal District	1 (+6 in Kazakh-stan)	3 (+36)	- (+6)	- (+7)	-	All cinemas are owned by the head management company	Cinema design & equipment supplies	

Sources: company data, public sources (Internet, press), Nevafilm Research

1.7.2 Film distribution

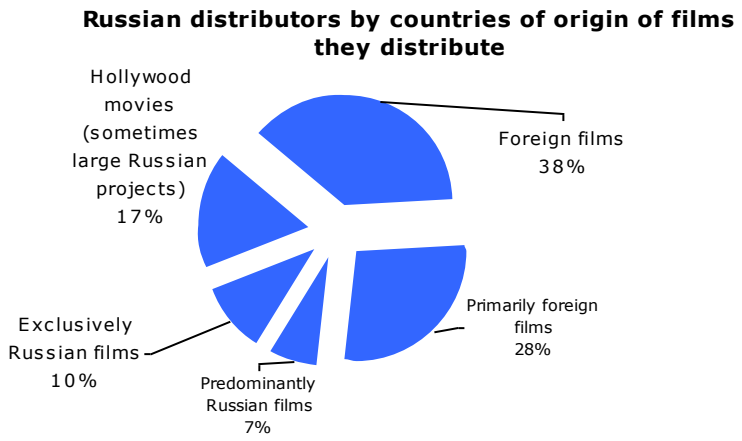
As at December 2010, a total of about 30 companies are operating on the Russian film distribution market (not counting regional film and video rental organizations and companies launched for the exhibition of a single film). The majority of companies (14) represented on the market work with independent films produced for a mainstream audience. Nine companies work primarily with arthouse films; five represent major Hollywood studios (although as a rule, their program is not limited to these releases), and one company works exclusively with alternative digital content.



Source: Film Business Today Magazine, *Nevafilm Research*

Figure 42. Russian film distributors by type of content

Based on the region of the films' origin, distribution companies can be divided into the following groups: eleven companies work exclusively with foreign films; ten companies deal in both foreign and Russian productions (though only two of them focus primarily on Russian films); three companies distribute Russian content exclusively; and, lastly, five representatives of major studios offer a package that combines Hollywood features with major Russian releases.



Source: Film Business Today Magazine, *Nevafilm Research*

Figure 43. Russian film distributors by films' country of origin

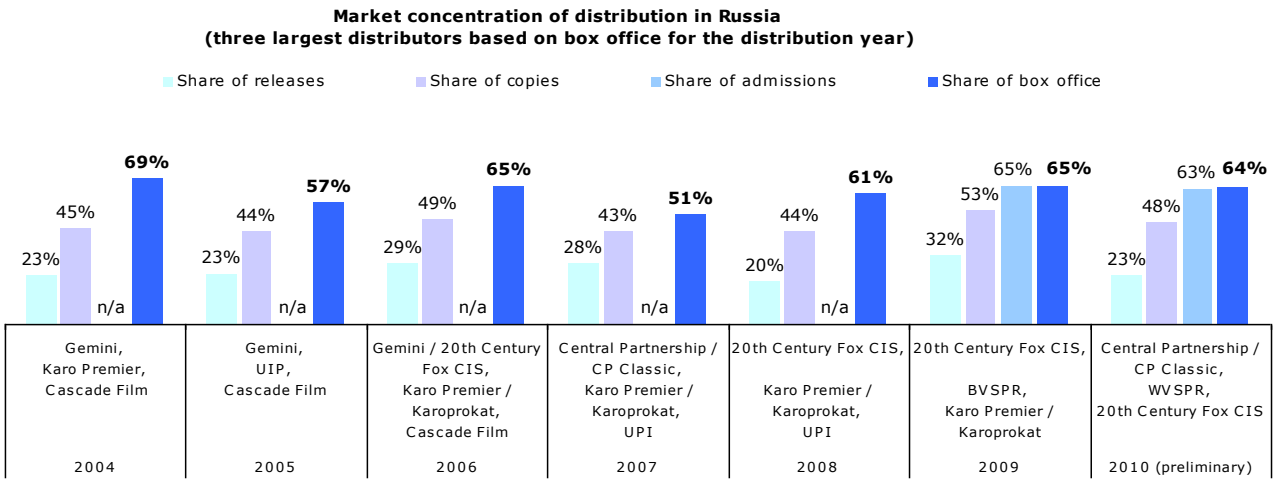
The list of companies working in Russia's film distribution market is constantly changing. The direct presence of the Hollywood studios on the Russian market means a change in status and direction – and sometimes outright closure – for companies which used to represent their interests. East-West, the oldest player on the Russian market, opened in 1989 and was responsible for the Russian distribution of practically every major Hollywood film. When United

International Pictures (UIP) opened its Russian office in 2004, East-West lost its Hollywood partners. East-West's management agreed to transfer its employees to the new company, effectively folding East-West. In 2006, 20th Century Fox opened an office in Russia, also inheriting employees from its former partner, Gemini, which ceased operations in 2008. Cascade distributed films from Columbia and Disney between 1998 and 2006, then lost its Hollywood content after Buena Vista Sony Pictures Releasing (now Walt Disney Sony Pictures Releasing) opened its Russian office, and was forced to seek out new niches. Using its many years of experience in distributing IMAX features, the company began offering stereoscopic films on Russia's digital 3D market.

Many producers are convinced that the distributors they hire pay less attention to their films than to foreign ones and thus undermine their box office success. A desire to increase their films' theatrical success drives Russian producers to create their own film distribution divisions. Thus, in summer 2009, Russia's three most experienced film producers—CTB, Krasnaya Strela, and Profit—united under the distribution brand Nashe Kino, which had previously spent many years distributing CTB films. In autumn 2009, Russian producers Fyodor Bondarchuk and Dmitry Rudovsky joined the ranks of distributors with their company Art Pictures Media, which holds full rights to Russian films produced by Art Pictures Studio, along with films from various independent foreign producers. In addition, production centre Leopolis tried its hand at film distribution in 2009. Leopolis also distributes films of its own production along with a package of films bought on international cinema markets. A specialized arthouse division, LeopArt, was created within the company, but in May 2010, the company's owner decided to end its distribution activity, and in June, it announced the sale of its rights library to UPI's Russian office. Meanwhile, the arthouse division split off to form an independent distribution entity.

The list of independent market players is also constantly changing, especially in the arthouse distribution sector. Some players have been forced to leave the market entirely. In 2009, the Pyramid and Lizard companies ceased all distribution activity. The recent crisis also affected an important video market player: the Nastroenie company. Since 2007, this multi-media retail chain also controlled half of one of Russia's largest arthouse distributors, Kino Bez Granits. In mid-2008, the company launched the Nastroenie Kino project and distributed mainstream films under its banner. However, in March 2010, 51% of Kino Bez Granits shares were sold to Aleksandr Rodniansky's company, AR Films, which planned to use the KBG and Nastroenie Holding package (over 700 films) to create a paid television channel devoted to auteur cinema set to open in late 2010. Despite the world economic crisis, new independent distributors continue to enter the Russian market. In 2009, these new distributors were Volga (representing American distribution company Film Depot Inc.), Argument Kino (an association of Russian producers specializing in Russian arthouse films), and P&I Films. Nevafilm Emotion also began dealing in alternative content for digital screens. In May 2010, a new player on the Russian market announced that it would specialize in 3D digital releases, including documentaries. Still, as of now, Caravella DDC is also distributing films from Carmen Video distribution company, which decided to leave the market in 2010 and concentrate on video distribution. It's also interesting to note that this year, Soyuz Video, which traditionally dealt exclusively in public video screenings of arthouse features, ventured into film distribution, albeit only in limited print runs.

Overall, Russia's film distribution market is considerably more concentrated than the film exhibition market: the three largest distributors account for no less than 60% of box office receipts. These companies account for a similar share of ticket sales (60-65%), but a significantly smaller portion of the release market (20-30%). In other words, films from these distributors are extremely popular among viewers. Naturally, representatives of the Hollywood major studios (20th Century Fox, Walt Disney, Columbia Pictures, Universal, Paramount, and Warner Bros.) hold on to their market lead every year.



Source: Film Business Today Magazine, *Nevafilm Research*

Figure 44. Russia's film distribution market concentration (three largest distributors, by box office receipts for the distribution year)

All current Russian film distribution market players can be categorized in the following manner:

- foreign companies – *direct representatives of major Hollywood studios* on the Russian market (Universal Pictures International, Buena Vista Sony Pictures Releasing, 20th Century Fox-CIS);
- Russian companies – *official representatives of the Hollywood majors* (Karo Premiere, Central Partnership);
- *independent distribution companies* which deal primarily with mainstream films: Paradise, Central Partnership, West, Luxor, Top Film Distribution, Cascade, Volga, Nashe Kino, Karoprokat, Art Pictures Media, Argument Kino, Profit Cinema International, P&I Films;
- *independent film distribution companies working with niche content*: children's films (Panorama, Most-Media), arthouse (CP Classic, Kino Bez Granits, Russian Reporting, InterCinema, Premium, LeopArt, Carmen/Caravella DDC, Soyuz Video), anime (Ruscico), alternative content (Nevafilm Emotion);
- *film producers* (certain Russian producers who distribute and exhibit their films independently, often establishing a new distribution company for a single feature);
- *regional film and video rental organizations* (FVROs) – remnants of local Soviet cinema authorities. These organizations have since lost most of their functions, and currently serve as custodians of film funds, exhibiting their films in regional chains, mostly in outdated cinemas, village clubs, and community culture centres using portable and fixed film projectors.

We must also note that most of the largest distributors are members of the non-profit Alliance of Independent Film Distribution Companies (ANKO)[67], which they formed in 2001. The ANKO website is one of the most reliable sources of statistics about the results of film screenings, published officially on behalf of film distributors. The Alliance is one of the organizers of the annual KinoEXPO Forum held in St. Petersburg. However, this organization has no real impact on the market, since it actually attempts to unite market players of various interests and market strengths. Still, at least in theory, ANKO does represent its members' interests, for example by lobbying lawmakers.

[67] http://www.np-anko.ru

Table 17. Russian film distributors

Ranking by 2010 box office	Box office share as at 01 Dec 2010	Name of company (website)	Year of foundation	Owner (holding company)	Type of rights (markets the company is directly involved in)	Area covered by distribution rights	Number of releases during the 2010 film distribution year	Specialization	Additional activities of the holding company in Russia	Membership in public organizations
1	27.03%	Central Partnership (http://www.centpart.ru)	1996	ProfMedia Holding (Russia)	Public exhibition, TV and Internet (independent package)	Russian Federation, CIS	35	Paramount Pictures International representative, the largest Russian independent distributor	Film production, film exhibition (Cinema Park national chain), television (TV3, 2x2, MTV), Internet rights (Ivi.ru), radio (Autoradio, Energy, Broadcasting Corporation), print media (*Afisha*), the Internet (Rambler.ru, Afisha.ru)	ANKO
2	18.57%	Walt Disney Sony Pictures Releasing (http://www.wdsspr.ru)	2006	Walt Disney Studios Motion Pictures International and Sony Pictures Releasing International (USA)	Public exhibition	Russian Federation, CIS	25	The Russian office of Walt Disney Pictures, Disney-Pixar Animation, Touchstone Pictures, and Miramax Films	Video distribution, TV distribution, consumer goods and publishing licensing, production and distribution of mobile and web content, games for PC and game consoles, etc.	
3	16.21%	20th Century Fox CIS (http://www.foxrussia.com)	2006	News Corporation (USA)	Public exhibition, video	Russian Federation, CIS	19	The Russian office of 20th Century Fox	Video distribution, TV content distribution	ANKO
4	12.90%	Karo Premiere	1999	Karo Group (Russia)	Public exhibition	Russian Federation, CIS	17	Warner Bros. representative (AOL Time Warner)	Theatrical distribution of Russian and independent projects (Karo Premiere), film exhibition (Karo Film national cinema chain), film production (Karo Production)	ANKO
5	6.39%	Universal Pictures International Russia (http://www.uip-rus.ru, http://www.start.universalpictures.ru)	2007	NBC Universal Holding (USA)	Public exhibition	Russian Federation, CIS	14	The Russian office of Universal Pictures International	Video distribution (Universal Pictures Russia)	ANKO
6	4.63%	West (http://www.westvideo.ru)	1994	West Group (Russia)	Public exhibition, video	Russian Federation, CIS	13	Independent foreign films	Film exhibition (West cinema chain in Moscow), video distribution (West Video)	
7	3.56%	Paradise (http://www.paradisegroup.ru)	1992	Paradise Holding (Russia)	Public exhibition, TV, video	Russian Federation, CIS	24	Films produced by the company, independent foreign films, mainstream art films	Film exhibition (5 Zvezd national cinema chain), film production, annual Window to Europe Russian cinema festival, an annual international film festival for children and youth, television (two channels in Armenia and a satellite channel in the USA and South America), monthly film magazine *Rolan*	ANKO
8	2.32%	Cascade	1997	Independent	Public exhibition	Russian Federation, CIS	14	-	n/a	ANKO
9	2.04%	Karoprokat	2005	Karo Group (Russia)	Public exhibition	Russian Federation, CIS	9	Films produced in Russia	Theatrical distribution of Hollywood films (Karo Premiere), film exhibition (Karo Film national cinema chain), film production (Karo Production)	ANKO
10	1.89%	Luxor (http://www.luxorfilm.ru/distribution)	1993	Luxor Group	Public exhibition, video	Russian Federation, CIS, Baltic countries	15	-	Film exhibition (Luxor national film chain), video distribution	ANKO
11	1.04%	Volga (http://www.volgafilm.ru)	2008	Film Depot Inc. (USA)	Public exhibition, TV, video	Russian Federation, CIS, Baltic countries	14	Mainstream art films	Video distribution, TV rights distribution	
12	0.72%	Top Film Distribution	2007	JRC Group (Ukraine)	Public exhibition, video	Russian Federation	12	-	Film and video distribution (Ukraine)	
13	0.68%	Nashe Kino (http://www.nkino.ru)	2003	CTB, Igor Tolstunov Production Company, Krasnaya Strela (Russia)	Public exhibition	Russian Federation, CIS	12	Films produced in Russia	Film production	ANKO
14	0.22%	Premium Film (http://www.premiumfilm.ru)	2007	CP Digital	Public exhibition, TV	n/a	15	Arthouse	-	
15	0.22%	Argument Kino	2009	Independent	Public exhibition	n/a	7	-	-	
16	0.15%	Kino Bez Granits (http://www.arthouse.ru)	1996	AR Films (Russia), Maywin Media AB (Sweden)	Public exhibition	Russian Federation, CIS, Baltic and Scandinavian countries	22	Arthouse	Film production (Non-Stop Productions), rights distribution (Maywin Films AB)	
17	0.083%	Art Pictures Media (http://www.art-pictures.ru)	2009	Art Pictures Group	Public exhibition, TV, video	Russian Federation, CIS	3	Films produced by the company, independent foreign films	Film production (Art Pictures Studio), video distribution, TV rights distribution	
18	0.043%	Russian Report (http://www.rusreport.com)	2002	Independent	Public exhibition, TV, video	Russian Federation, CIS, Baltic countries	16	Arthouse	TV and video distribution, film production	
19	0.036%	Caravella DDC (http://www.caravella-ddc.ru)	2010	Kinoproekt (Russia)	Public exhibition	n/a	8	3D content, independent projects, the Carmen Film package since 2010	Cinema equipment supply (Kinoproekt), digital film lab (DSR 24)	
20	0.022%	Panorama Kino (http://www.panoramakino.ru)	1995	Independent	Public exhibition	Russian Federation, CIS	4	Films produced in Russia, children's cinema	-	ANKO
21	0.020%	CP Classic (http://www.centpart.ru/cp_classic)	2008	ProfMedia Holding, Central Partnership (Russia)	Public exhibition	Russian Federation, CIS	4	Arthouse	Film production (Central Partnership), film exhibition (Cinema Park national cinema chain), television (TV3, 2x2, MTV), radio (Autoradio, Energy, Broadcasting Corporation), print media	ANKO

Ranking by 2010 box office	Box office share as at 01 Dec 2010	Name of company (website)	Year of foundation	Owner (holding company)	Type of rights (markets the company is directly involved in)	Area covered by distribution rights	Number of releases during the 2010 film distribution year	Specialization	Additional activities of the holding company in Russia	Membership in public organizations
									(*Afisha*), the Internet (Rambler.ru, Afisha.ru)	
22	0.017%	Nevafilm Emotion (http://www.cinemaemotion.ru, http://www.emotion.nevafilm.ru)	2008	Nevafilm (Russia)	Public exhibition	Russian Federation, CIS	25	Alternative content	Cinema equipment supply (Nevafilm Cinemas), sound studio (Nevafilm Studios), digital film lab (Nevafilm Digital), film market research (Nevafilm Research)	
23	0.013%	P&I Films (http://www.pifilmdistributions.com)	2008	Independent	Public exhibition	Russian Federation, CIS	5	Arthouse	-	
24	0.011%	LeopArt (http://www.leopart.biz)	2009	Independent	Public exhibition	Russian Federation, CIS	8	Arthouse	-	
25	0.006%	Ruscico (http://www.ruscico.ru)	1999	Independent	Public exhibition, TV, video	Russian Federation, CIS, Baltic countries, international	5	Arthouse	Video distribution	
26	0.003%	Soyuz (http://www.soyuz.ru)	1996	Soyuz Group Concern (Russia)	Public exhibition, VoD, TV, Internet	Russian Federation, CIS	3	-	Video distribution (Soyuz Video), sales of audiovisual products and associated merchandise (Soyuz retail chain), music production	
27	0.002%	Profit Cinema International (http://www.profitcinema.org)	2009	Profit Cinema International Holding	Public exhibition	Russian Federation, CIS	1	-	Film exhibition (a cinema chain in the Moscow area)	ANKO
28	0.000%	InterCinema XX Century (http://www.intercinema.ru)	1992	Independent	Public exhibition, TV, video	Russian Federation, CIS, Baltic countries	1	Arthouse	Video distribution	
29	-	Moskovskoe Kino (http://www.mos-kino.ru)	2002	Municipal	Public exhibition	Moscow Region, RF	-	Russian cinema	Film exhibition (a cinema chain in Moscow), regional distribution	ANKO

Source: company data, public sources (Internet, press), Nevafilm Research

1.8 Trends and predictions for future development

And so, in 2008, the Russian film distribution market reached the third stage of its development. This stage is characterized by high levels of competition and the dominance of major players over smaller-scale independent market participants, both in film exhibition and film distribution, as well as in film booking – an area where these two sectors overlap.

The dominant trend in the exhibition market is a move from extensive business development methods (territorial expansion, new cinema openings) to intensive ones (reconstruction and renovation of existing modern cinemas). This trend was driven in part by the world financial crisis, which halted construction of new retail and entertainment centres, which have recently become the backbone of Russia's new cinema construction. But the most significant change has been the transition to digital projection technology. 2010 made it clear that the chasm between 'early adopters' and 'early majority' of transition to digital technology has been overcome with the help of three motivating factors: the number of 3D releases in Russian distribution, plans by major cinema networks to transition their screens to digital film projection (sometimes with the help of major Hollywood studios), and the desire of independent small-city exhibitors to gain access to premiere copies of films in digital format.

Overall, the Russian cinema exhibition infrastructure can be divided into several qualitative levels. First of all, the country's cities and rural areas have around 600-800 outdated active cinemas, which screen films several weeks after their release, or show films from regional film and video rental organizations. These cinemas play no significant role on the market, since they bring in small profits, and their numbers are shrinking steadily. In 2010, the number of modern cinemas reached 865 (around 2,500 screens), more than 60% of which (40% of screens) are equipped with 3D digital projection. IMAX is another technology gathering steam in Russia this year. As at 01 December 2010, six IMAX cinemas are active in Russia, and the end of 2012 will see at least 25.

More than 300 films play in Russian cinemas every year. Most are feature-length live action and animated films, primarily from the USA and Europe, which dominate both in the number of titles and in box office receipts. Between 2004 and 2009, Russian films managed to make significant gains in popularity among viewers: during this period, domestic films accounted for at least 25% of gross box office sales, mostly at the expense of North American films. This leap in popularity was ensured by the support that major terrestrial TV channels offered to new releases. But 2010 turned out to be a disastrous year for Russian films. Russian cinema's total box office sales for the distribution year dipped below 15%. At the same time, Russia lacks an arthouse cinema category. Art films play in limited release (less than 20 prints), moving from city to city over a long period of time. Russia also has a widespread tradition of public video (DVD) screenings, characteristic of cinemas trying to offer their viewers auteur films, as well as cinemas with outdated equipment. Since 2009, the Russian distribution market has also offered alternative digital content. Still, digital screens are dominated by 3D releases, which continue to grow in number as their earnings drop.

Russian film distribution was affected by the fallout of the financial crisis. Devaluation of the rouble in late 2008 led to a sharp increase in the cost of printing film copies, which led distributors to reduce the number of prints per release. However, expansion of the digital film exhibition network allowed distributors to quickly return to pre-crisis print circulations. Expenses in this case were borne exclusively by the cinemas, which had to buy digital projection equipment, since Russia has no large-scale, long-term VPF deals between distributors and exhibitors.

Exhibitors also felt the effect of the crisis. In addition to halting construction of many retail and entertainment centres, the crisis derailed the plans of many companies to enter CIS markets or list their shares on the stock exchange. Now, in the post-crisis period, for the first time in its modern history, Russia has found itself in a situation where an individual cinema chain might be sold as an investment fund's capital investment. This acquisition might look attractive to Russian companies interested in dramatically improving their market position or moving into a strong position right out of the gate. Foreign players might also see this as an opportunity to expand into the Russian market.

As film admission in Russia shows steady growth, Russia's film distribution market is looking more attractive to investors. This growth in admissions is driven by two main factors: the cinema network's expanding geographic coverage and a revival of the cinema-

going habit, which had all but disappeared in the 1990s. In 2010, more than 155 million viewers visited the cinemas, and average film consumption in cities with modern cinemas reached 2.1 trips to the cinema per person per year. Box office sales are also growing (in RUB). The distribution market even managed to recover from the 2009 rouble devaluation crisis as gross box office sales reached nearly USD 1 billion in 2010. At the same time, the main driving force behind Russia's rising gross box office receipts in recent years remains an increase in the average ticket price. Currently, it stands at USD 6.40 USD (RUB 192), while tickets to 3D screenings are as much as 60% higher. Alternative content also gives cinemas an opportunity to increase the price of tickets by an average of 30%. We estimate the overall sales volume on the film exhibition market (including concessions and advertising revenues) at USD 590 million in 2008 and at USD 500 million in 2009. Taking into account the share paid to distributors, Russia's film distribution profits reached USD 990 million in 2008 and USD 853 million in 2009 (the crisis led to a 14% drop in sales).

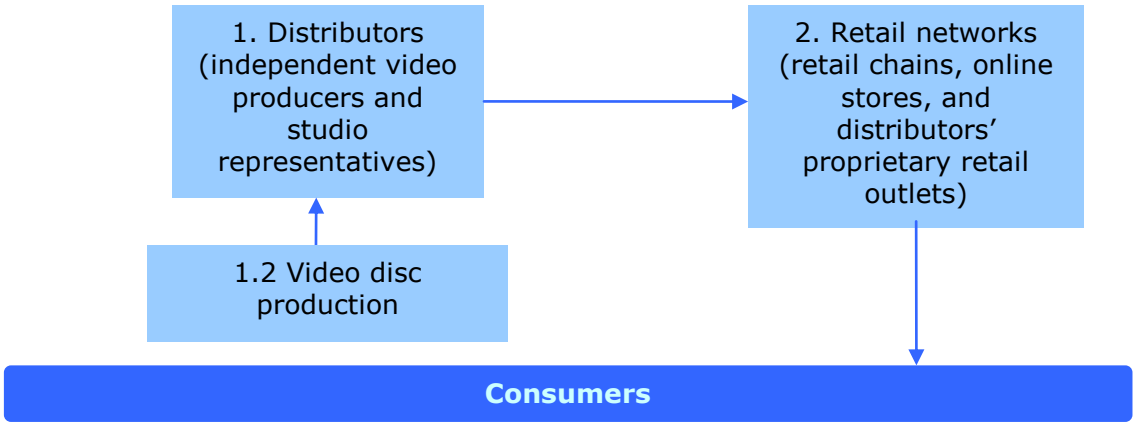
Russia's film exhibition market is highly fragmented. It has about 500 players, including 82 cinema chains and more than 400 independent cinemas. Based on results for 2009, 21.6% of ticket sales and 26.3% of box office earnings went to the three largest companies: Karo Film, Cinema Park, and Kinomax. The film distribution market is even more concentrated, with around 30 players and 60% of box office sales going to the three largest distributors, while representatives of the major Hollywood studios (20th Century Fox, Walt Disney, Columbia Pictures, Universal, Paramount, or Warner Bros.) lead the market every year.

2. VIDEO DISTRIBUTION

2.1 Overall structure of the Russian video distribution market

Video distribution includes the release and sale of video in physical formats: DVD and Blu-Ray discs.

The overall structure of this market in Russia can be summed up in the following diagram:



Thus, the market is two-tiered:

The first tier is made up of distributors (representatives of major Hollywood studios, Russian studios, independent video producers and concerns, as well as companies representing Russian video releases abroad). The licensed DVD and Blu-Ray production plants – both independent ones and those owned by video producers – represent a supporting industry for this first tier.

The second tier is directly concerned with sales. It includes retail stores and chains specializing in audiovisual products, retail chains selling home electronics, grocery stores, computer stores, bookshops, wholesale dealers, independent retail outlets, and Internet-based shops.

2.2 Legal aspects of video distribution in Russia

2.2.1 Regulatory bodies in the video distribution sector

Government agencies regulating video distribution in Russia include:

- The Ministry of Culture of the Russian Federation[68] and its various departments.
  - The Department of Cinema administers the National Film certification that qualifies certain films for government support and tax breaks. Such certificates are issued only to Russian-made films or co-productions that satisfy a certain set of criteria. The Department of Cinema also enforces compliance with laws governing film and film production.
  - The National Film Registry[69], which oversees the issuing of film distribution rights allowing the public exhibition of audiovisual works within the Russian Federation, and sets age restriction guidelines for films.
  - The State Film Fund archive stores vital copies of audiovisual works that have been certified for retail.[70]
- The Ministry of Communications and Mass Media,[71] as well as Roskomnadzor, the Federal Communications, Information Technology and Mass Communication watchdog, which is overseen by the Ministry[72] and maintains a registry of licences for the reproduction of audiovisual works in all media.[73]

[68] http://mkrf.ru/ministry/struktura
[69] Roskomnadzor Report, 2009
[70] http://www.gosfilmofond.ru
[71] http://www.minsvyaz.ru
[72] http://www.rsoc.ru/about/p221
[73] http://www.rsoc.ru/mass-communications/reestr/audiovideo

2.2.2 Key legal decisions

The core laws governing video distribution are:

- Part IV of the Civil Code of the Russian Federation[74], which sets up the framework for copyright laws and *regulates the relationships between those holding rights to audiovisual works and their users*;

- Federal law №126-F3 "On governmental support of cinema" of 22 August 1996 *defines the basic conceptual framework of the cinema industry in the Russian Federation and sets out the legal relationships between actors in this sector*, including relationships between government and production companies on questions of government financing of the production, distribution, and screening of National Films.

2.2.3 Basic legal framework, rights, and restrictions

5) The Russian legal code requires *licensing for the reproduction of any audiovisual works*[75] and such licences are issued to factories for a period of five years. Stipulations for the licensed duplication of audiovisual works include:

- documentation of the order for duplication;
- documentary evidence of the client's right to make copies;
- distribution certificates documenting the licensee's rights to the films or videos registered;
- technical measures to ensure the licensee's name and licence number are printed on every article produced;
- a record of audiovisual products made;
- a production facility and equipment for the licensed operations.

Roskomnadzor keeps a list of licensed factories and this information is available to all free of charge.[76]

6) The main requirement for the reproduction of audiovisual works is that the rights holder (the distributor) has a *distribution certificate permitting reproduction for sale, rent, and distribution via video rental stores and retail outlets.*[77] Distribution certificates are issued by the Russian Film Registry, part of the Ministry of Culture's Department of Cinema. To receive a distribution certificate, the following documents must be submitted:

- an application to the Ministry of Culture (more recently, applicants have also had to indicate a link to an entry for the film in the http://www.imdb.com database);
- documents attesting to the applicant's right to use the audiovisual product (for documents not written in Russian, a notarized translation into Russian must be included);
- foreign films require a copy of the customs bill of entry confirming that the audiovisual work can be legally imported into the Russian Federation[78];
- a copy or a cassette recording of the audiovisual work and its trailer that meets the technical requirements for applications[79];
- documentation of works used in films (for domestic or co-productions);
- three notarized copies of the edit decision list and a short summary of the film.

7) Distribution of audiovisual works in Russia is regulated by legislation *prohibiting the distribution of pornography, extremist material, and so on*. Article 242 of the Russian Federation's Criminal Code explains that the preparation, distribution, or promotion of pornographic materials or items, as well as the selling of print materials, film or video materials, images or any other media of

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[74] Ratified by Federal law №230-F3 of 18 December 2006.

[75] In accordance with "Regulations on licensing the reproduction of audiovisual works, computer programmes, databases and audio recordings in any format," signed into law by governmental resolution №252 of 28 April 2006.

[76] As of 31 October 2010 the list has 119 licensees.

[77] Resolution of the Council of Ministers of the Russian Federation "On the registration of films and videos and the regulation of their public exhibition", №396, of 28 April 1994.

[78] The broadcast of digital content over satellite remains unregulated. In practice, however, instead of a customs bill of entry, those applying for a distribution certificate can substitute a copy of a screenshot from the server, thus proving that the content has been uploaded by a Russian rights holder.

[79] Copies of films that complete the registration process are transferred, along with a copy of the edit decision list, to Gosfilmofond, the Russian Federation's federal film archive. They are archived without commercial screening rights, but copies may be withdrawn from the archive for informational, research, academic, or cultural purposes (for screening at a film festival, for instance) in accordance with the "On short citation" standards, as set forth by article 1274 of part IV of the Civil Code.

a pornographic nature is punishable by a fine of RUB 100,000 to 300,000 or up to two years' imprisonment. In practice, such audiovisual works are quite widely available, and available through perfectly sanctioned, legal means—they all receive distribution certificates from the Ministry of Culture and can be found in the government's registry of films. This is due to the fact that there are ways around the requirements for distribution certificate applications. For example, applicants might send the government commission a different film under the same name and with the same running time. This has lately led to much discussion and has forced government organs to assess the seriousness of this problem and declare their intentions to combat it.[80]

2.2.4 Duty and tax incentives

9) The following fees are associated with film distribution in Russia: applicants for licences to reproduce audiovisual works pay a government tariff, as do Russian rights-holders leasing films for distribution. At the time of writing, this fee amounts to RUB 2,000.
10) Those importing blank audiovisual media into the Russian Federation are required to pay a customs duty fixed at 10% of the customs value of the film or other materials (including magnetic tapes or digital formats).[81]
11) National Films are exempted from taxes and fees related to video distribution, including an exemption from the value-added tax (VAT) on the sale of rights for the use of audiovisual works, which includes rights to hire and exhibit.[82] However, the reproduction and retail of copies of the film are not exempt. Non-domestic productions do not enjoy these exemptions. Services offered by cultural institutions – reproduction for research or study purposes – are also exempted from VAT[83], although this rule is difficult to implement during the release of a whole production run of video units, even when some of the units are intended for academic use. Cultural institutions which rent out audio and video materials from their archives are also exempt.[84]
12) A recent innovation was the Russian Federation Resolution №829, of 14 October 2010, which will require manufacturers and importers of recording and duplicating audio and video equipment and blank discs to pay 1% of their declared value to the fund of an accredited organization, which will then distribute these funds to the authors of works (40%), performers (30%), and disc manufacturers (30%) from 01 January 2011. This stipulation has an impact on video publishers, because it causes an increase in the cost of blank media, the raw material used in publishing audiovisual works.

2.3 History of the market's development

In Soviet times, few households in the territory now known as the Russian Federation had VCRs. The costly technology was unaffordable for most consumers, and video cassettes with foreign films were usually copied at home by the few Soviet citizens who could make regular trips abroad; such copies were generally circulated within privileged circles, often those of the political establishment (nomenklatura). They symbolised freedom in that they permitted a peek behind the Iron Curtain. At that time, the fight against unlawful film video cassettes concentrated not on prosecuting the illegal use of copyright works, but on convictions for copying and storing products condemned as 'anti-Soviet' or 'pornographic', terms which in fact covered quite a wide range of entirely innocent scenes. Nonetheless, by

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[80] Ася Мелькумова, «Минкульт выдает разрешение на эротику, а на экраны выходит порнография» http://www.marker.ru 15.03.2010 [Asya Melkumova, "The Ministry of Culture permits erotica, but pornography hits the screens" http://www.marker.ru, 15 March 2010].
[81] The document "A unified customs tariff for the Republic of Belarus, the Republic of Kazakhstan, and the Russian Federation", as set forth in the resolutions №18 of 27 November 2009 and Eurasian Economic Community Customs Union commission resolution №130 of 27 November 2009, defines the customs duty on film and video works for a group of thirty-seven republics and the RF.
[82] In practice, this means that video distributors pay VAT at every stage of the process of printing and selling films, including those with National Film status, on video. The rights holder (producer) is paid after this tax has been deducted.
[83] Clause 20, article 149, chapter 21, section VIII of the Russian Federation tax code №117-F3, 05 August 2000.
[84] Source as above.

the fall of the Soviet Union, the foundations for a licensed video market had been laid. In 1986, under the auspices of the USSR's state cinema commission, Goskino, an enterprise had been created for industrial copying and distribution of films on VHS — the Videofilm All-Union Creative and Production Association. Moreover, with the advent of Perestroika in the USSR, various forms of entrepreneurship in video exhibition began to emerge: both private and state screening rooms equipped with videotape recorders and TV sets appeared. They operated under the management of the regional organizations in film and video distribution, and offered motion pictures for screening from video libraries. The issue of licensing such video products was of no relevance for such enterprises since the country had not yet joined the Bern Convention, the Law on Copyright and Adjoining Rights had not been adopted, and the production, distribution and exhibition of motion pictures were entirely free and unregulated. During the first years of the Russian Federation, however, the number of VCRs in households started to grow quickly and the popularity of video screening rooms waned.

From 1993 to 1995 the penetration of home video technology resulted in the transformation of most video screening rooms and video salons into video rental outlets. Consumers were offered more and more pirated video products; recording two films onto a single cassette became ever more popular. At this time the Hollywood majors first appeared on the Russian market: in 1994 Varus Video became the representative of Warner Bros, and later, of Columbia Tri-Star. Growth in income and the lower cost of video cassettes promoted both a transition to retail trade in cassettes of feature films and the shutdown of video rental outlets.

By the end of 1996, the country had more than 40 video distributors; the increase in the number of licensed titles on the video market reached 500% in a single year. The unique practice of 'sub-licence' sales became widespread; in essence, it meant that any company or individual could approach the license-holder and purchase a polygraph set (a cardboard slip box and a front sticker with the title of the film), plus a master-cassette in S–VHS, Betacam or even the common VHS format for further copying. This practice made the struggle against video piracy in Russia significantly more complicated, since it triggered the advent of an entire network of plants, distributors and retailers of grey-market video products: small volumes of these 'licensed' cassettes camouflaged huge turnovers of pirate copies. From 01 January 1997 the introduction of criminal liability for copyright violations precipitated a wave of licensed production. However, in spite of extensive advertising, the glut of sub-licensed copies prevented video distributors from recouping their investment in copyright. In turn, this resulted in yet another spiral of video piracy, only this time with new features; the production of video cassettes designed to resemble licensed products became widespread.

The financial crisis of 1998[85] dealt a serious blow to the development of licensed video products, reducing the number of companies operating on the market by a factor of five (the principal cause being that licensed video cassettes made from imported components became unaffordable for most citizens, the dollar exchange rate having skyrocketed from RUB 6.2 / USD 1 in August 1998 to RUB 20.7 / USD 1 in December). The video market was overwhelmed by a wave of mutual defaults on payments that led to the bankruptcies of many video distributors. As a result, the number of titles entering the market during 1999 fell by a factor of almost three year-on-year. The formats used also started to change: from 1998 Video-CDs began to flood the market, and in 1999 the first legally digitised film in DVD format was released on the market (*Die Hard 3: Revenge*). DVDs were much more expensive than video cassettes at over 870 roubles per disc, as compared to 220 roubles per licensed video cassette. According to Russian State Statistics Agency data, the average monthly nominal salary in Russia in 1998 was only 1,051.50 roubles. This figure shows that licensed video cassettes and discs were simply unaffordable for the majority of the population. Consequently, the old video distribution network was resurrected throughout the country, and it remained in place until 2005. Gradually, with the recovery of the economy and growth in disposable incomes, sales of licensed videos began to rise.

[85] The financial crisis (or 'default') hit Russia on 17 August 1998. It was triggered by the Asian financial crisis, which had begun in July 1997. During the ensuing decline in world commodity prices, countries heavily dependent on the export of raw materials were the most severely hit. Petroleum, natural gas, metals, and timber accounted for more than 80% of Russian exports, leaving the country vulnerable to swings in world prices. Fuel was also a major source of government tax revenue. As a result of the crisis, Russia declared that it would default on state securities, the rouble fell sharply, and for a long time, ordinary Russians could not afford to buy imported goods.

The next blow was dealt to the licensed video market in Russia by the fast growth in the number of pirated DVDs sold during the period from 2000 to 2003: licensed discs were still import-only, since the country had no official pressing plants. At the same time, illegal discs were being manufactured on an extremely large scale – first homemade, and then mass manufactured at military enterprises in the country, as these were off-limits for law enforcers (such production lines exist in Russia even now: now and again the media reports on their closure in one city or other, although there is no talk of a complete clampdown). Non-licensed DVDs in Russia usually consisted of several – two to ten – motion pictures burned onto a single disc and thus not only seriously undermined licensed DVDs and video cassettes, but also forced pirated video cassettes out of the market.

The emergence of the first Russian plants pressing licensed DVDs (the first was DVD Club in 2004) brought about a drop in both wholesale and retail prices for licensed discs: while a retail licensed disc could be bought for RUB 600 in the beginning of 2004, in 2005 that figure had already dropped to RUB 300 – 400 (the price of a pirated disc was around RUB 250). At this same time, DVD-players were becoming cheaper. While in 2004 the ratio between the formats on the licensed markets was 70% to 30% in favour of video cassettes, in 2005 it had switched to 22% to 78% in favour of DVDs. By 2006, the VHS share had become negligible. Anti-piracy measures implemented during the same period also played an important role. During the autumn of 2005, the Hollywood majors Warner Home Video and Universal Pictures International announced their readiness to place special DVD releases on the Russian market at reduced wholesale prices. In 2006, 20th Century Fox opened a direct representation office in Russia, towards supporting the initiatives of other studios (Universal and Sony Pictures). They recommended dropping the retail price for DVDs from RUB 299 to 199. At the same time, the national representatives of the US studios shrank the window for release to video of new films on distribution (special Russian editions were released just four weeks after the first screening in cinemas). As a result, sales of licensed DVDs in Russia during 2005 and 2006 grew rapidly, as these measures made the discs much more affordable. This in turn stimulated the expansion of the retail sales network, with growing interest in such products by non-specialised hypermarkets that dedicated additional space to selling video. These included Auchan, Metro, Real, Lenta and O'kei, as well as discounters such as Pyatyorochka, Kopeika and others. This had a decisive effect on the growth of licensed video sales in Russia by 2007.

The growth in sales of licensed DVDs continued in 2007, as pirated DVDs were squeezed by shrinking windows to release of licensed DVDs, price reductions and stricter measures in the fight against video piracy on the part of law enforcement agencies. The first Russian Blu-Ray discs emerged (the pioneer was VideoService, which released *Casino Royale* for Sony Pictures in April 2007). In 2008 the first Russian manufacturer of Blu-Ray discs appeared, as the Russian company Laser Video Multimedia opened a production line for Blu-Ray discs at its plant, thus transitioning from a factory purely concerned with the release of DVDs, to responsibilities including distribution and the release of works in this new format. In a single year the company released 15 films; not only commercially successful new releases, but also TV series that had never been distributed. However, the expansion of broadband Internet during the period resulted in the rapid growth of Internet piracy, affecting sales of both licensed and pirated DVDs, particularly in Moscow and St. Petersburg.[86, 87]

2.4 Current status of the market

2.4.1 Infrastructure of the video market

According to *Screen Digest,* the number of households with DVD players in Russia increased dramatically after 2004. The dynamic of penetration of DVD players was affected by their falling prices, which made the players affordable to the mass consumer and entailed a drop in the price of licensed discs as well. The growth in DVD player sales decelerated by 2007, due to gradual market saturation. At this stage more than half of all households with TV sets had DVD players as well. According to 2009 figures, the number of

[86] Los Angeles Times, "Columbia TriStar Video Announces Deal to Distribute in Former Soviet Union" – http://articles.latimes.com/1994-09-27/business/fi-43583_1_columbia-tristar-home-video.
[87] The Film Industry in the Russian Federation. The European Audiovisual Observatory, September 2010

Russian families with DVD players grew to 33.8 million[88] (including 70% of households with televisions). Not only that, but one- or two-person families had an average of 1.5 televisions, whereas families of three or more had an average of 1.9 televisions. Approximately 0.5% of the population belonged to households without television sets.[89]

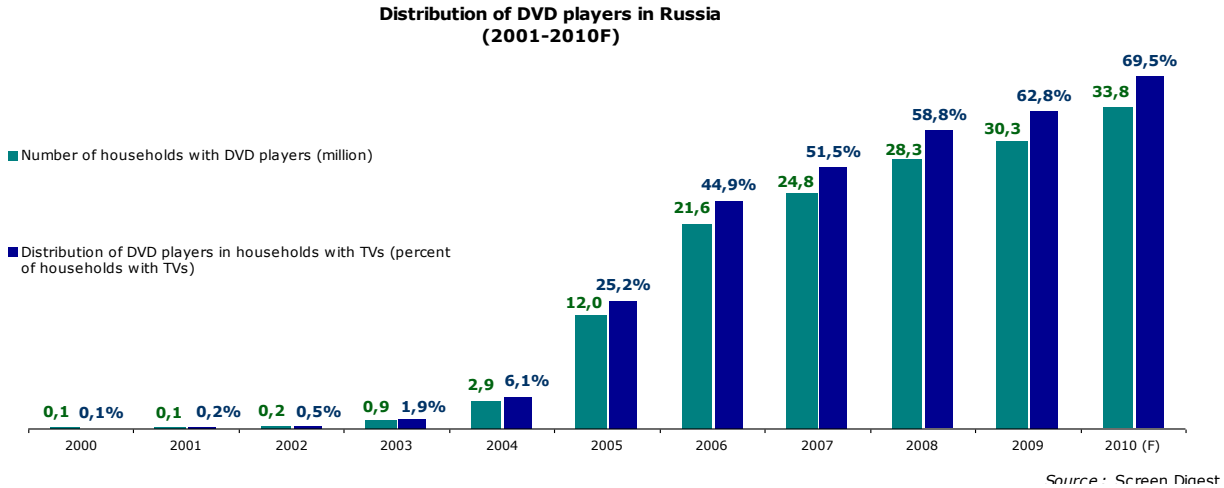

Figure 45. Distribution of DVD players in Russia (2001-2010, forecast)

The number of Blu-Ray players in Russia also continues to rise. Where in 2007 and 2008 the Blu-Ray format was predominantly marketed as being for Blu-Ray-enabled gaming consoles, in 2009, dedicated Blu-Ray players became popular. However, game consoles with Blu-Ray drives remain more popular in Russia, in part because of the capability of watching 3D Blu-Ray films (as on a Sony Playstation 3), particularly now as the first 3D releases on Blu-Ray have begun to hit the market. The development of this segment of the market is so far limited by the distribution of 3D televisions, which only became available to consumers in April 2010. However, in the six months that 3D televisions have been available on the Russian market, demand has been increasing by 10-15% per month.[90] According to market research consultancy GfK RUS, 3D televisions now account for 0.6% of the flat-screen TV market, and this share continues to grow despite their cost, with an average price of RUB 99,000 as of August 2010.[91] As market players note, the main obstacle to the further development of home 3D viewing is the limited amount of content available. In all, in 2009 the number of Russian households with Blu-Ray players (including computers and TV adapters that support Blu-Ray) reached 239,100 (0.5% of families with televisions).[92]

[88] In addition to DVD players plugged into TV sets, there are also specialized portable sets and computer drives, and these significantly increase the number of households that have the capability to view DVDs. However, no detailed assessment of the volume of that market in Russia has ever been conducted.
[89] Russian television: industry and business. Analytics centre Video International, Moscow, 2010.
[90] Маргарита Парфененкова, Надежда Агеева, «Россия уходит в виртуальную реальность», РБК daily, №161/624 от 20.10.2010 [Margarita Parfenenkova, Nadezhda Ageeva, "Russia enters virtual reality", RBC Daily, №161/624, 20 October 2010].
[91] Source as above.
[92] According to *Screen Digest*.

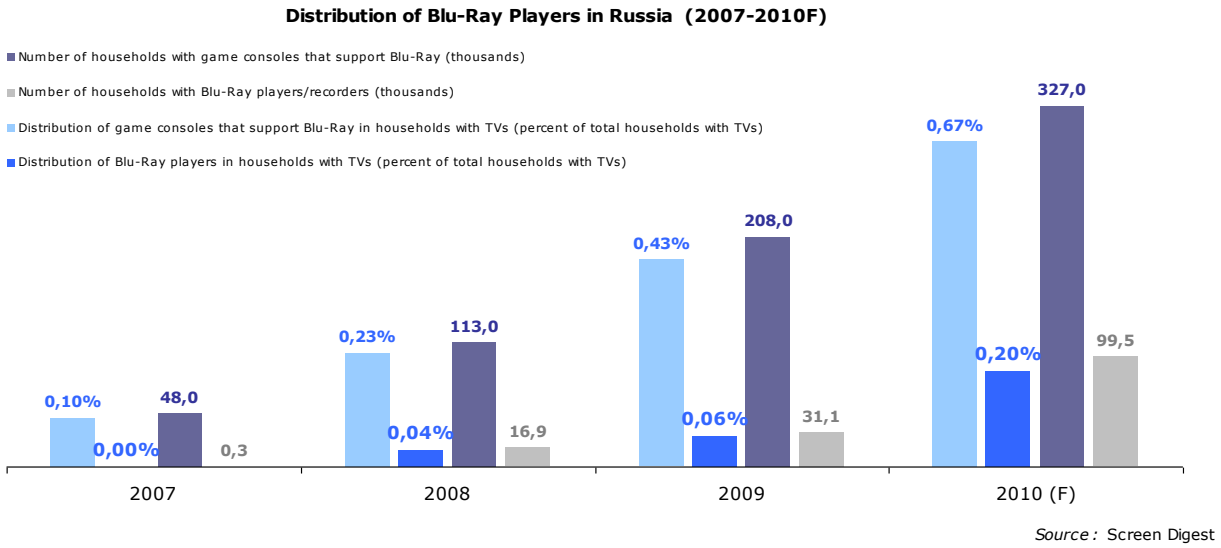

Figure 46. Distribution of Blu-Ray players in Russia (2007-2010, forecast)

In the country overall, 81.6 million people have DVD players in their home while 600,000 have Blu-Ray players. As noted by a representative of home electronics retail store M.Video, since early 2010 sales of Blu-Ray devices have grown by more than 100%.[93] According to predictions made by *Screen Digest*, by the end of 2010 the number of Russian households with Blu-Ray players will reach 99.5 thousand, while households with video game consoles that support Blu-Ray will reach 327 thousand. By the end of the year, 33.8 million households should be using DVD players.

2.4.2 Video releases

According to data published by *Videomagazine* and *Video Market Bulletin*[94], in 2009, the largest distributors on the Russian market for licensed DVDs released 1,600 titles, which is 18% fewer than in the previous year (2008 saw the release of 1,900 titles). Thus the crisis would appear to have affected the number of titles released on video in Russia. However, in 2010 the situation improved, and from January to July, Russian distributors had more than 1,200 DVD releases, twice as many as during the same period in 2009, which shows the market regaining its footing following the crisis.

Since 2007, the Blu-Ray format has been in release in Russia. In 2008, there were 94 releases in the new format, while in 2009 a total of 174 films were released on Blu-Ray discs. From January to July 2010, the number of releases in Blu-Ray format grew to 159 (versus 76 in the first half of 2009). This attests to the further growth of the Russian Blu-Ray market and the inroads made by the new format.

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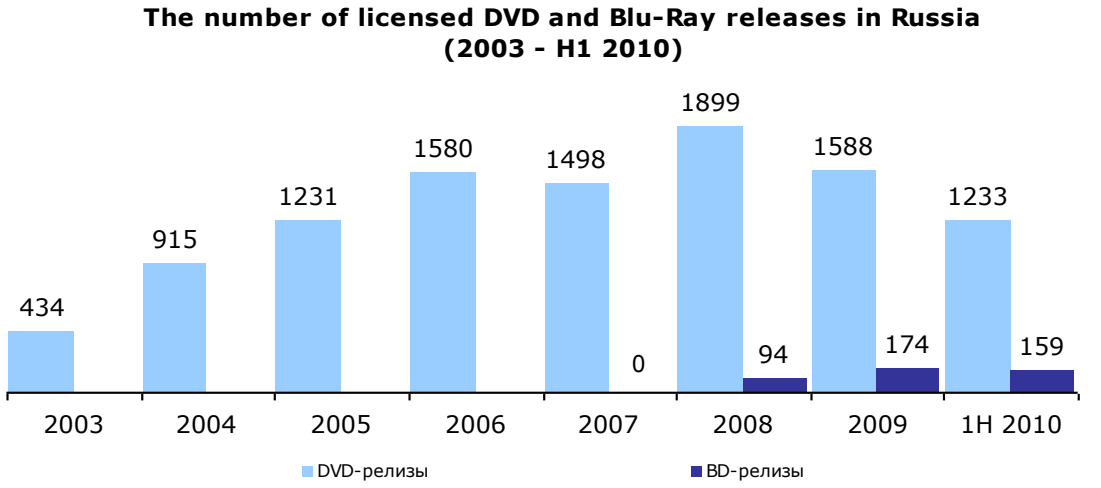
[93] Тамила Джоджуа, Александр Малахов, «Держи экран шире», Коммерсантъ №183 (4483) от 04.10.2010 [Tamila Dzhodzhua, Aleksandr Malakhov, "I've got a flat-screen bridge I want to sell you", Kommersant №183 (4483), 04 October 2010].

[94] Lists of video releases to the Russian market are traditionally published by *Videomagazine*. In spring 2008, the Metropolitan EPA company began to track video releases in its electronic publication, *Video Market Bulletin*. Comparative analysis of these two sources indicated that they show some discrepancies, both in terms of the number of titles and the publishing companies listed therein – since the data in the lists is published based on the information provided by the video distributors themselves for advertising purposes. Nevafilm Research estimates a 30% discrepancy between the lists of releases in *Videomagazine* and *Video Market Bulletin*. This index was used to adjust the data on the number of Russian video releases in 2009 as reported by *Videomagazine*; in 2010 the list of releases issued by *Video Market Bulletin* was used for our study.
Nevertheless, neither one of these sources offers comprehensive market information, because some video distributors do not publish their releases in the press. Furthermore, the companies that do publicize their releases do not do so in a comprehensive way. According to our estimates, such undocumented releases might account for 20-25% of the overall number of releases on the market, although a reliable analysis of this error is impossible, just as it is impossible to classify these unaccounted-for releases even by country of origin, year of publication, and so on. Therefore, we plan to include this information in later evaluations of the Russian video distribution market.



Source : Videomagazine , Video Market Bulletin ; 2009-2010 — assessment by Nevafilm Research

Figure 47. The number of licensed DVD and Blu-Ray releases in Russia (2003 – first half of 2010)

The Russian video distribution market's release schedule stayed essentially the same from quarter to quarter over the course of the last seven years. The lion's share of the year's releases (more than 30%) came out in fourth quarter, while the first quarter generally brought a decrease in market activity (less than 20% of a given year's releases came out between January and March).

Source: Videomagazine, Video Market Bulletin

Figure 48. Yearly distribution of DVD releases on the Russian market (averages from 2003-2009)

The majority of licensed releases on the Russian market originate from North America[95], with films from the region accounting for more than 40% of releases from 2009-

[95] An analysis of the market composition by region of production was conducted based on information from http://www.imdb.com and using the following criteria:
- 'Russian films' are classified as films produced with Russia's participation;
- 'European films' are films made with the participation of at least one European country, not including co-productions with Russia;
- 'North-American films' are films made with the participation of the USA, not including co-productions between the USA and Europe or the USA and Russia;
- 'Films produced in other countries' include Asian, Australian, Latin American, and other countries' projects made without the participation of the USA, Russia, or European countries.

2010. However, the European market share is also significant, accounting for 30%, according to figures from 2009 (although as of early 2010 it had dropped to 27%). The share of productions from other countries was comparatively low, although it has increased in recent years – in 2010 this figure reached 8%, up from 5% in 2008. The overall share of domestic releases on the Russian licensed video market in 2009 was 22%, which slipped to 19% in the first half of 2010. By the mid-2000s we observed a tendency in the video market that was characteristic of film distribution as well: an increase in the number of Russian releases at the expense of North American releases. This tendency was short-lived, however, for in 2007 the domestic share of the video market dropped from 30% to 20%.

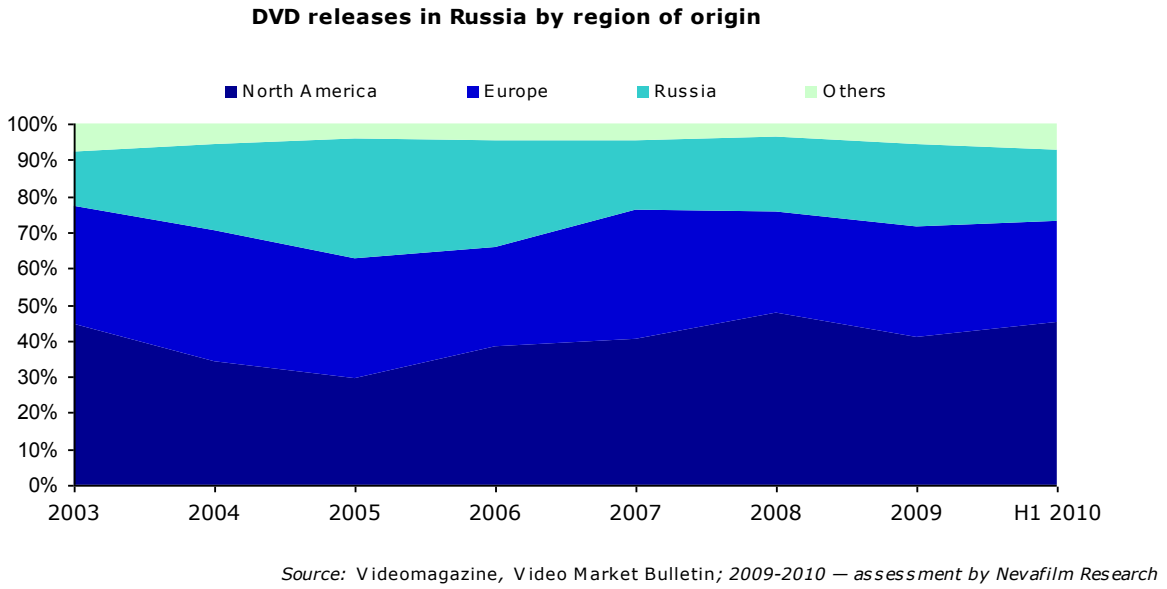


Figure 49. DVD releases in Russia by region of origin

Nevertheless, Russian films traditionally feature in the top ten of the DVD charts.[96] In 2008 there were five such films, while in 2009, there were four. The remaining entries in the top-ten are all USA-produced films or American-European co-productions. All the top-selling licensed DVDs in Russia are new releases and widely advertised blockbusters.

Table 18. Top 10 licensed DVD titles by sales in Russia (2006–2009)

#	Title	Origin of production	DVD distributor in Russia
2006			
1	Garfield: A Tail of Two Kitties	USA, UK	20th Century Fox CIS
2	The Fast and the Furious: Tokyo Drift	USA, Germany	Universal Pictures Russia
3	Dnevnoy Dozor	Russia	Pervaya Videokompaniya
4	Piter FM	Russia	VOX Video
5	Ice Age: The Meltdown	USA	20th Century Fox CIS
6	Crank	UK, USA	Central Partnership / VOX Video
7	Pirates of the Caribbean: Dead Man's Chest	USA	VideoService
8	Svolochi	Russia	VOX Video

[96] The principal rater of retail leaders in Russia is the publication *Videomagazine*, which bases its results on a survey of video distributors and retail chain representatives, with particular emphasis on the estimated sales index level. Sales numbers for specific releases are kept confidential and are not published by distributors in Russia.

#	Title	Origin of production	DVD distributor in Russia
9	Dobrynya Nikitich and Zmey Gorynych	Russia	Soyuz Video
10	The Departed	USA, Hong-Kong	Central Partnership / CP Digital
2007			
1	300	USA	Universal Pictures Russia
2	12	Russia	CP Digital
3	Harry Potter and the Order of the Phoenix	UK, USA	Universal Pictures Russia
4	Paragraph 78 (part 2)	Russia	Central Partnership / CP Digital
5	Casino Royale	USA, UK, Germany, Czech Republic	VideoService
6	Ghost Rider	USA, Australia	VideoService
7	Night at the Museum	USA, UK	20th Century Fox CIS
8	Apocalypto	USA	Central Partnership, CP Digital
9	Lubov-Morkov [Lovey-Dovey]	Russia	VOX Video
10	Mongol	Kazakhstan, Russia, Mongolia, Germany	Soyuz Video
2008			
1	The Mummy: Tomb of the Dragon Emperor	Germany, USA	Universal Pictures Russia
2	Ironiya Sudby. Prodolzhenie [The Irony of Fate 2]	Russia	Music Trade
3	Apostle	Russia	CP Digital
4	Wanted	USA, Germany	Universal Pictures Russia
5	The Admiral	Russia	Music Trade
6	Ilya Muromets and Solovey Razboinik	Russia	Soyuz Video
7	My iz Buduschego [We are from the Future]	Russia	VOX Video
8	Hancock	USA	VideoService
9	What Happens in Vegas	USA	20th Century Fox CIS
10	Hellboy II: The Golden Army	USA, Germany	Universal Pictures Russia
2009			
1	Taras Bulba	Russia	CP Digital
2	Twilight	USA	West Video
3	Angels and Demons	USA	VideoService
4	Ice Age 3: Dawn Of The Dinosaurs	USA	20th Century Fox CIS
5	Stilyagi [Hipsters]	Russia	CP Digital
6	X-Men: Wolverine	USA	20th Century Fox CIS
7	Night in the Museum 2	USA, Canada	20th Century Fox CIS
8	High Security Vacation	Russia	Flagman Trade
9	Australia	USA, Australia, Great	20th Century Fox

#	Title	Origin of production	DVD distributor in Russia
		Britain	CIS
10	The Inhabited Island 1: Stranger	Russia	CP-Digital

Source: Videomagazine

The structure of the Russian licensed DVD market is feature-film oriented (such releases accounted for more than 60% of films released in the first half of 2010). At the beginning of July 2010, TV serials accounted for 7 – 8% of releases, and animation for 13%. Documentary films and series, including educational and entertainment programs, were 14% of DVD releases in 2010. Television programmes, which were barely released on DVD at all in 2009, returned to their pre-crisis release levels (2%) over the first six months of 2010.

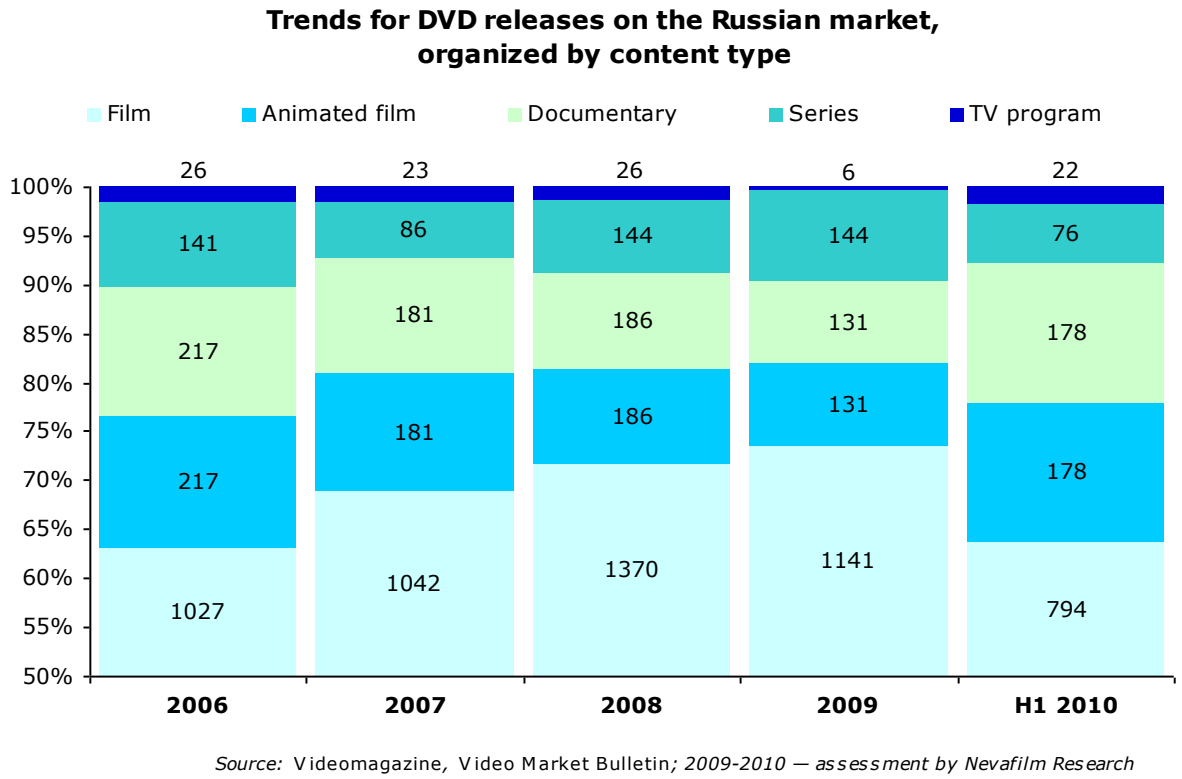
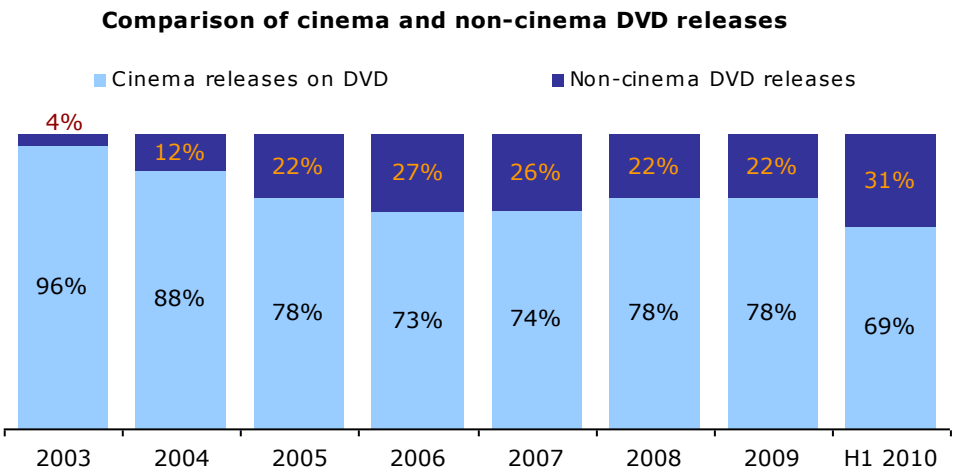


Figure 50. Trends for DVD releases on the Russian market, organized by content type

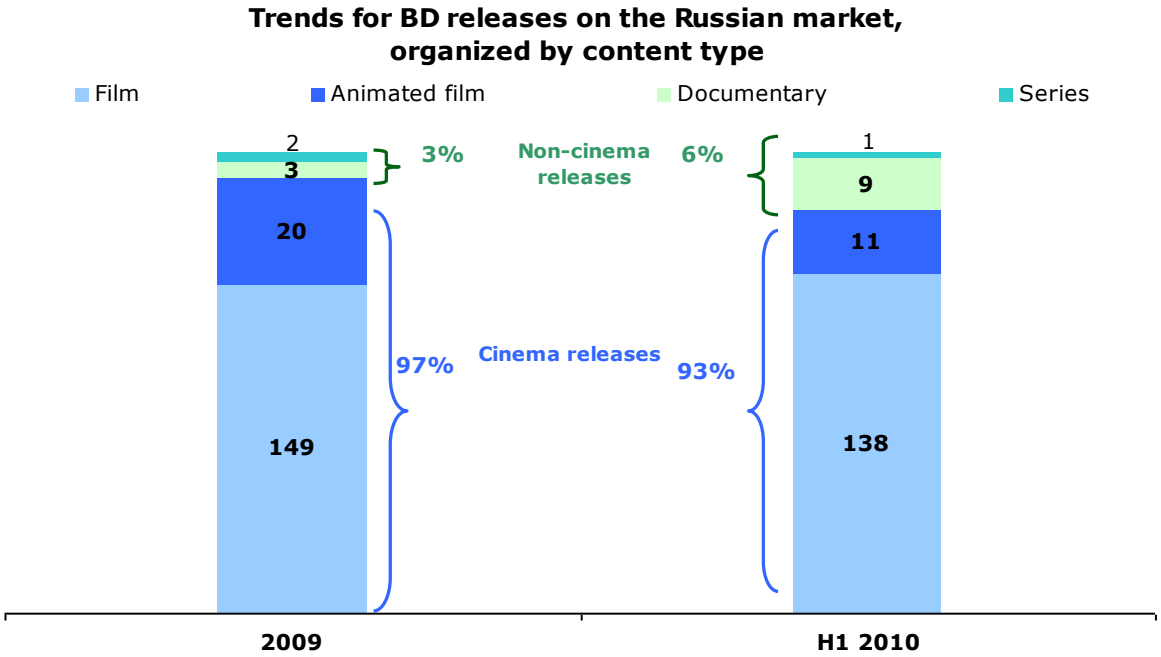
Because the primary object of this study is the distribution of films, we divided all video releases on the Russian market into cinema and non-cinema releases. Cinema releases include all feature-length dramatic and animated films, including those never screened in Russian cinemas. Non-cinema releases are documentary and television films, as well as animated and live action serials, TV programmes, and other content not traditionally shown in cinemas. The number of non-cinema releases on the Russian DVD market has steadily increased, and in mid-2010 had already grown to 31%. This indicates a mature DVD market in Russia, offering consumers a generally wide selection.



Source: Videomagazine, Video Market Bulletin; *2009-2010 — assessment by Nevafilm Research*

Figure 51. Comparison of cinema and non-cinema DVD releases

The Blu-Ray market, in comparison, remains in its infancy. The market consists primarily of theatrical releases, which account for 90% of titles, although the number of non-theatrical Blu-Ray releases increased slightly in 2010, driven by sales of documentaries and serials. Even musical programming is released in the Russian Federation in the Blu-Ray format, including concerts and music videos released by Universal Music Russia, Laser Video, Soyuz Video, and others.

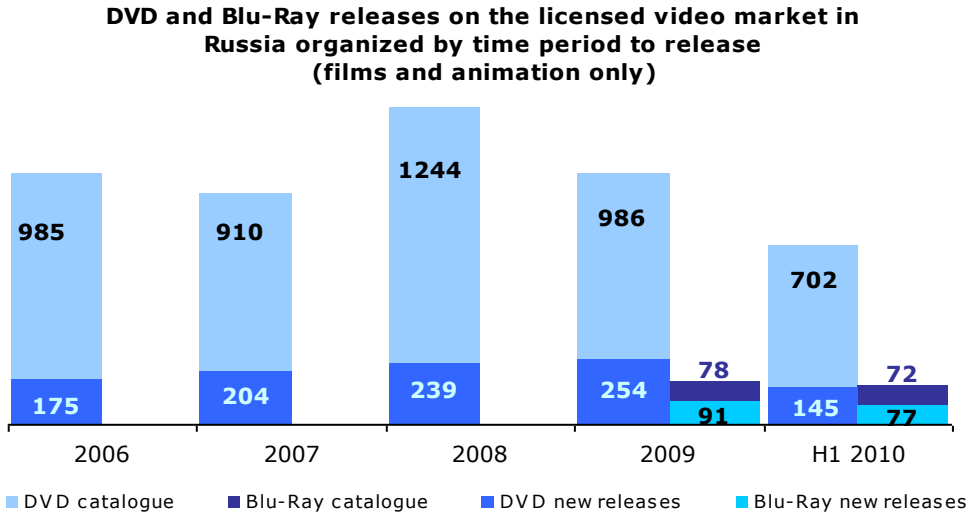


Source: Videomagazine, Video Market Bulletin; *2009-2010 — assessment by Nevafilm Research*

Figure 52. Trends for Blu-Ray releases on the Russian market, organized by content type

Another difference in development between the DVD and Blu-Ray markets is reflected in the newness of titles available. Although the domestic market for licensed DVDs is dominated by catalogue releases (with a market share of no more than 21%) the majority of the Blu-Ray market (more than 50%) is made up of releases new to the Russian market. This is connected with the need to popularize the new format, since cinema premieres enjoy greater interest among audiences, and cinema advertisement campaigns also promote Blu-Ray sales. Catalogue releases in the Blu-Ray format are generally parts of series (trilogies such as "The Lord of the Rings", "The Matrix", or "Pirates of the Caribbean"), films recently

released, sequels (or prequels) that are shown in Russian cinemas (*Die Hard*, for example) as well as big budget features that were successful on DVD. For example Universal Pictures Russia released the film *Gone with the Wind* on Blu-Ray, and 20th Century Fox-CIS released a collection of popular Westerns.



Source: Videomagazine, Video Market Bulletin; *2009-2010 — assessment by Nevafilm Research*

Figure 53. DVD and Blu-Ray releases on the licensed video market in Russia organized by time period to release

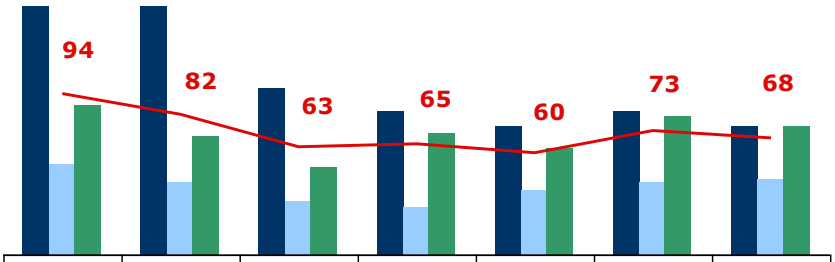
It is not common to advertise video releases in Russia. Advertisements for non-cinema releases are either completely absent or are delivered online through distributors' sites, or in specialized publications such as *Videomagazine* and *Total DVD*. Large-scale promotional campaigns are for the most part conducted by the Hollywood majors (Walt Disney Company CIS, 20th Century Fox-CIS, Universal Pictures Russia) and these are often one-off events only held for specific releases. This was the case for one of the most popular films of 2009, the animated film *Ice Age: Dawn of the Dinosaurs*, which was accompanied by a widespread advertising campaign conducted with the cooperation of major retail centres, video stores, and the most popular websites. The campaign was also accompanied by disc giveaways, autograph sessions, and other events. The video distributor reported great results and saw a significant increase in sales.[97] However, the majority of video distributors still do not engage in such aggressive, large-scale campaigns, despite the need to draw attention to domestic video releases and improve sales. Now, video releases are often given a short release window only a few weeks after the film's Russian premiere, and advertisements for the video release become part of the film's cinema advertising campaign.

A steady reduction of the period between the film's premiere in cinemas and its release on video is part of efforts by rights holders to combat video piracy. This is particularly characteristic of releases from the major Hollywood studios[98], which traditionally maintained the largest possible window between cinema and DVD releases: in the first half of 2010, 75 days, whereas from 2004 to 2006 windows were never less than 100 days. Almost all of the major studios have special release formats in Russia for popular new releases. These 'featureless' versions do not typically include extra material, have only one audio track, and have titles overlapping the image. They are sold at a reduced rate and are designed to compete with pirated copies. The only exception is Walt Disney Company-CIS, which has kept its window to the traditional 17 weeks, although in several countries (including Russia) releases of the DVD *Alice in Wonderland* in spring 2010 came out only 12 weeks after the film's premiere in cinemas.

[97] Рекламная кампания DVD-релиза в России, «Бюллетень видеорынка» №8, от 02.11.2009 ["The advertising of DVD-releases in Russia", *Video Market Bulletin* №8, 2 November 2009.]
[98] This includes films released on the Russian market by franchisees of these major studios: 20th Century Fox, Columbia Pictures, Paramount, Warner Bros., Walt Disney Pictures, Dream Works, and Universal Pictures.

Russian releases have a smaller window (currently 44 days). Domestic producers reduced this period steadily until 2007, when they reached the current record minimum at 28 days. After this, the period steadily increased until it approached 2005 levels. However, the appearance of an overall increase is driven by a significant number of films present in the sample with a period to DVD release of more than 100 days (usually films with limited release).

Average window between a film's cinema premiere and its release on DVD (in days)

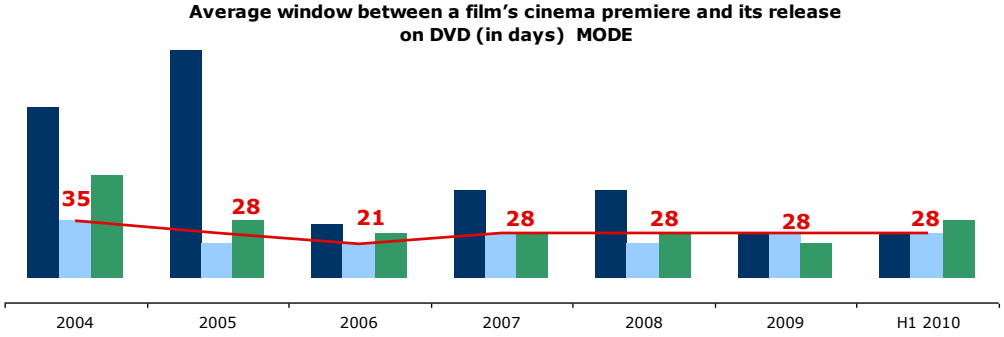


	2004	2005	2006	2007	2008	2009	H1 2010
Hollywood	145	145	98	84	75	84	75
Russia	53	42	31	28	38	42	44
Others	87	69	51	71	62	81	75
Average	94	82	63	65	60	73	68
All estimated releases per year	*157*	*176*	*171*	*195*	*222*	*184*	*140*

Source: Videomagazine, Video Market Bulletin, *Nevafilm Research*

Figure 54. Average window between a film's cinema premiere and its release on DVD (in days)

For the most part, variations in this indicator are due to the number of releases that are released on video after the most popular time window (the mathematical mode) following the premiere. Since 2007 this indicator has remained at 28 days for all releases. At the same time, the number of Hollywood releases with a 4-week window after theatrical premieres increased (in 2010, this was the period for more than 30% of pictures), while the number of such Russian and foreign independent releases decreased (now at 22% and 10% respectively).



	2004	2005	2006	2007	2008	2009	1H 2010
Hollywood	105	140	33	54	54	28	28
Russia	35	21	21	28	21	28	28
Others	63	35	28	28	28	21	35
Total	35	28	21	28	28	28	28
All estimated releases per year	*157*	*176*	*171*	*195*	*222*	*184*	*140*
Mode frequency	*9*	*15*	*20*	*30*	*38*	*29*	*16*

Source: Videomagazine, Video Market Bulletin, *Nevafilm Research*

Figure 55. Average window between a film's cinema premiere and its release on DVD (in days) MODE

Interestingly, Blu-Ray discs frequently come out after DVD releases, although the length of time between these releases is also decreasing. In 2009 the average period between DVD and Blu-Ray reached 113 days, while in 2010 it was 77 days. However, more recently, many DVDs and Blu-Rays have been released simultaneously.

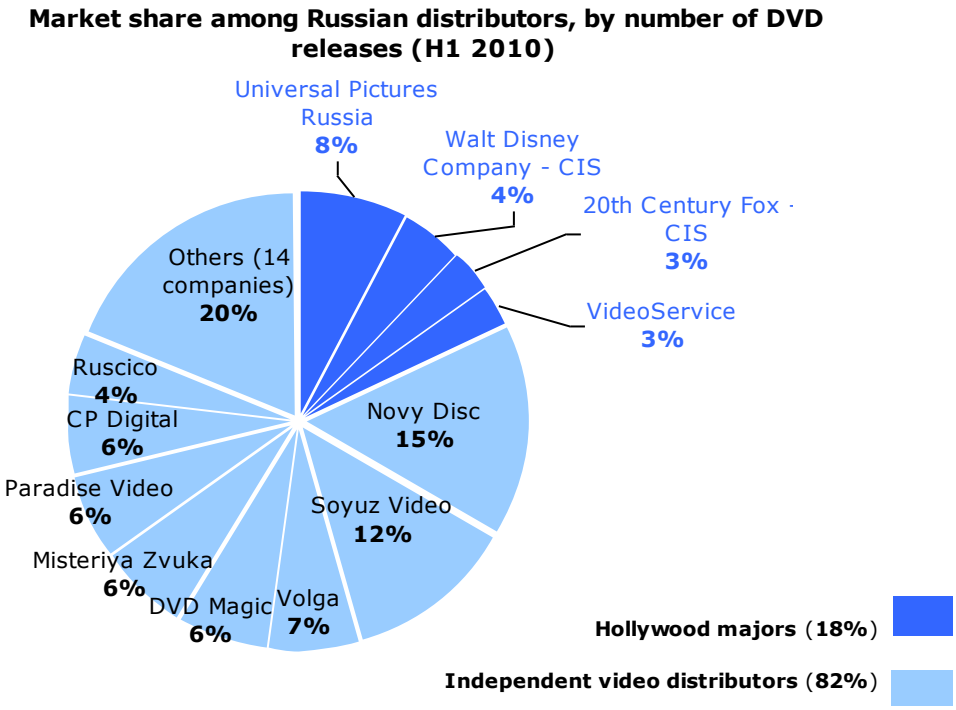
Also playing a particular role are special Blu-Ray releases with bonus DVDs. The first such combo release was the film *Avatar*, distributed by 20th Century Fox-CIS and released in April 2010. Starting from this autumn, the company plans to make such releases a regular event. Universal Pictures Russia is also joining this trend with combo releases of *Sex in the City 2* and *Inception*. Such decisions are made with the goal of improving the competitiveness of tangible formats overall and are also a reason to give a release a particularly high price; according to data from *Video Market Bulletin*, new releases on Blu-Ray are 3 to 5 times as expensive as DVD releases. Furthermore, the company Novy Disc released *The Expendables* on DVD with the Blu-Ray version of the film as a bonus disc. The same strategy was used for the film *Oceans.* Several similar releases are planned (the animated film *Winx Club: Magical Adventure*, for example), as the results of this approach appear to have satisfied distributors. Furthermore, this combo release of *The Expendables* became one of the highest-selling Blu-Ray releases of the year, although it can't in fact be considered a Blu-Ray release in the purest sense, as it was marketed as a DVD and is sold as such in stores.[99]

2.4.3 Video distribution

Midway through 2010, more than 25 companies were involved in video distribution in Russia. The largest of these in terms of numbers of DVD releases, based on results from the first half of 2010, were Novy Disc, Soyuz Video, and Universal Pictures Russia.

At the same time, releases by Hollywood majors (20th Century Fox-CIS, Universal Pictures Russia, Walt Disney Company-CIS, and Activision – a division of VideoService that distributes films from Sony Pictures) accounted for 18% of the market. However, the entrance of several independent players onto the market led to a drop in these majors' overall market share (in 2009 it was more than 20%).

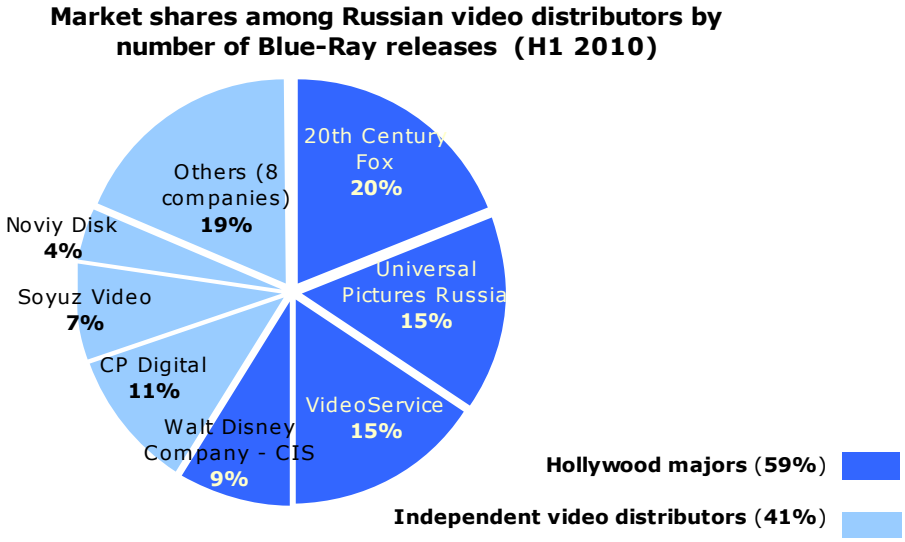
[99] Комбо-релизы «Нового диска» – первые итоги, «Бюллетень видеорынка», №37 (53), 21.10.2010 ["New Disc Combos – initial results are in", *Video Market Bulletin*, №37 (53), 21 October 2010].



Source: Videomagazine, Video Market Bulletin; *Nevafilm Research*

Figure 56. Market share among Russian distributors, by number of DVD releases (first half of 2010)

According to data from 2009 and the first half of 2010, Universal Pictures Russia, 20th Century Fox CIS together with VideoService and Walt Disney Company CIS maintained the leading positions for Blu-Ray releases on the Russian market. Collectively, companies representing Hollywood majors account for more than 60% of the overall number of titles released.



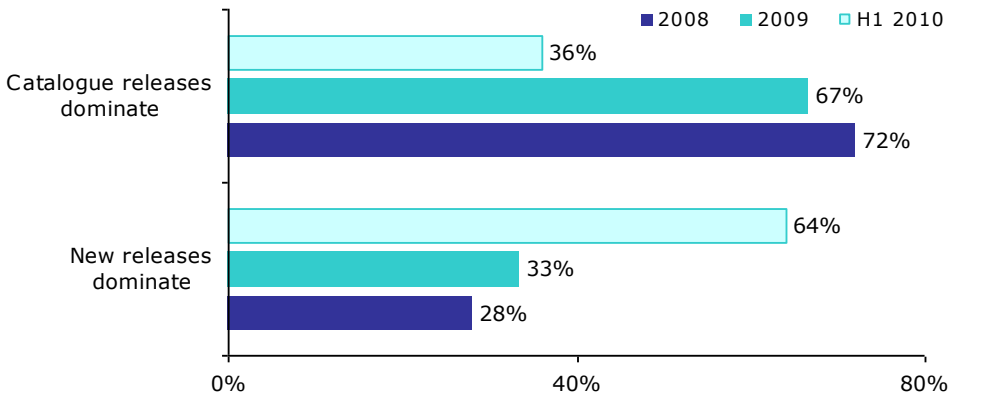
Source: Videomagazine, Video Market Bulletin; *Nevafilm Research*

Figure 57. Market shares among Russian video distributors by number of Blue-Ray releases (first half of 2010)

As for the countries of origin of the titles released, Russian video distributors may be split into the following groups: two companies work with Russian video content, while eight exclusively handle foreign films. However, the market is dominated by video publishers that release both domestic and foreign films, with their market share steadily rising, reaching 60% in July 2010. Over several years the market leader in domestic DVD release was the company Krupny Plan, the official publisher of titles from the collections of Mosfilm and Lenfilm Studios, as well as Soyuzmultfilm, the animation studio. In 2010 Misteria Zvuka and Novy Disc led releases of Russian-made films, despite not specializing in domestic releases. Novy disc, alongside DVD Magic, is also placed joint second in terms of releases of North-American produced films. The leader in this category was Universal Pictures Russia. The largest number of video releases from other countries (from Asia, generally speaking) came from Ruscico.

According to figures from the first six months of 2010, the DVD release schedule of most Russian distributors was largely composed of catalogue releases[100] (there are 16 such companies at the moment, accounting for 64% of the market). In 2009, the opposite trend was observed. Eighteen companies (67%) released mostly new releases on DVD, and catalogue releases dominated at only nine Russian video distributors. This may be a result of the crisis – by 2010, the portfolios of Russian video companies featured fewer expensive new releases from cinema runs. They had to become more dependent upon their film libraries or acquire cheaper distribution rights for older films (including films previously released in Russia by other distributors).

Classification of Russian video distributors according to the kind of DVD release (2008 - H1 2010)



Source: Videomagazine, Video Market Bulletin

Figure 58. Classification of Russian video distributors according to the kind of DVD release (2008 – first half of 2010)

If we classify Russian distributors by the type of content released, then leaders in the release of feature dramatic films on DVD were the companies Novy Disc, Volga, and Universal Pictures Russia. TV serials were released on video primarily by the distributors Flagman Trade, Novy Disc, and Universal Pictures Russia. Soyuz Video was by far the leader in releasing documentary serials while DVD Magic was also responsible for a large number of documentary releases. The leader of the Russian licensed DVD market for animation was Walt Disney Company CIS, with second place shared by Soyuz-Video and Novy Disc.

Dramatic releases on Blu-Ray were led by representatives of the Hollywood majors: Universal Pictures Russia, VideoService (Activision), 20th Century Fox CIS, and Walt Disney Company CIS. The latter two companies also released the most Blu-Ray animated films on

[100] Classification of the companies was based on an analysis of their lists of releases. When the release schedule featured less than 50% new releases, then the company was categorized as predominantly concerned with catalogue releases.

the Russian market. The uncontested leading distributor of documentary films on Blu-Ray was Soyuz-Video.

The market leaders in the ranking remained unchanged over the period from 2006 to 2009.[101] The top position in terms of number of DVDs sold (25.5% of the retail volume in 2009) is held consistently by Universal Pictures Russia (representing the Hollywood majors Paramount, Universal and Warner Bros, as well as the French Canal Plus studio, on the Russian market). The second spot (22.3% of the retail volume in 2009) is held by CP Digital (the exclusive distributor of products by the Russian company Central Partnership, except motion pictures by Paramount).

Table 19. Top 10 DVD distributors by retail volume (2006-2009)

#	Leading distributors				
	2006	**2007**	**2008**	**2009**	
1	Universal Pictures Russia	Universal Pictures Russia	Universal Pictures Russia	Universal Pictures Russia	25.2%
2	CP Digital	CP Digital	CP Digital	CP-Digital	22.3%
3	VideoService	VideoService	20th Century Fox CIS	VideoService	16.2%
4	VOX Video	20th Century Fox CIS	VideoService	20th Century Fox CIS	16.0%
5	20th Century Fox CIS	VOX Video	Music Trade	Flagman Trade	5.3%
6	Soyuz Video	Soyuz Video	Paradise-VS	Walt Disney Company CIS	4.4%
7	Twister Digital Video	Paradise Digital	Soyuz Video	West Video	3.3%
8	Lizard Cinema Trade	West Video	VOX Video	Paradise Video	3.1%
9	Pervaya Videokompaniya	Lizard Cinema Trade	Misteriya Zvuka	Misteriya Zvuka	2.5%
10	West Video	Misteriya Zvuka	Nastroenie Video	Soyuz-Video	1.7%

Source: Videomagazine

One more ranking of distributors could be based on the number of the company's releases that numbered among the fifty top-selling discs of the year. This category was dominated by the same trio (two representatives of major studios and one representative of the largest Russian film holding).

Table 20. Leading distributors by DVD retail volume (2006 – 2009).

#	Distributor	Number of releases included in Top 50 DVD best sellers
2006		
1	Universal Pictures Russia	12
2	CP Digital	6
3	VideoService	8
2007		
1	Universal Pictures Russia	13
2	CP Digital	11

[101] A ranking of distributors operating on the licensed DVD market in Russia has been compiled by *Videomagazine* since 2006, using a points scale taking into account film sales by each company and the total number of discs sold over the course of the week. («Видео в России: итоги 2006 года» ["Video in Russia: 2006 results"], http://www.kinobusiness.com/content/view/74/91/) In 2009, *Videomagazine* changed the way it rated the Russian licensed DVD market; the ranking was now conducted on the basis of each distributor's share of overall sales volume.

#	Distributor	Number of releases included in Top 50 DVD best sellers
3	VideoService	8
2008		
1	Universal Pictures Russia	18
2	CP Digital	10
3	20th Century Fox-CIS	7
2009		
1	Universal Pictures Russia	14
2	CP Digital	10
3	VideoService	8

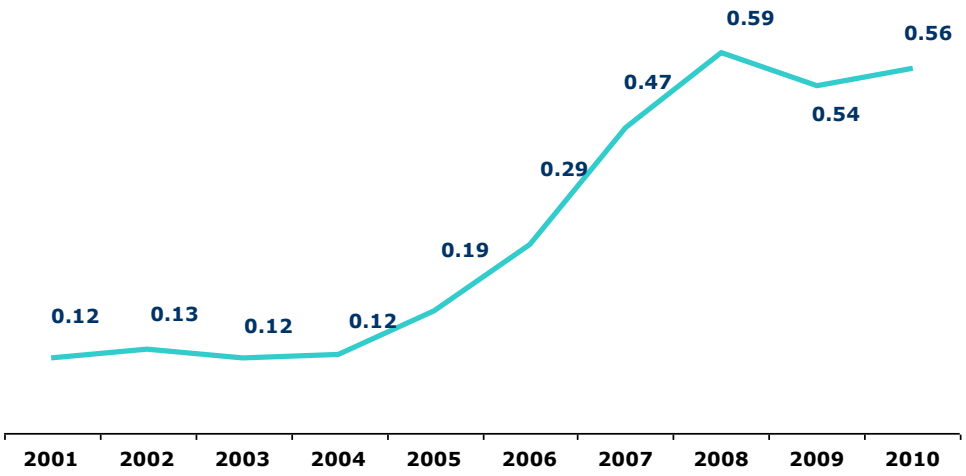
Source: Videomagazine

2.4.4 Sales volumes on the licensed market

Statistics for DVD sales in Russia have been compiled by the industry publication *Videomagazine* since 2003, when the format's market became comparable with that for VHS. Nevertheless, data is currently collected only for the largest retail chains[102] and only as a raw figure. Though numerous assessments of the average price of DVDs in Russia and of the total value of the market appear in the media and in various studies, the figures vary so widely that it is probably impossible to reliably estimate the turnover of the country's licensed video market.[103] Furthermore, estimates of the capacity of the licensed market are also influenced by the sales volumes for unlicensed video production.

Currently, every second resident of the country buys at least one licensed disc per year. When adjusted for the number of Russian households, we have each Russian family with DVD-player buying roughly 2.3 licensed discs per year.

Trends in video distribution in Russia (2001-2010)



Source: Videomagazine

Figure 59. Trends in video distribution in Russia (2001-2010)

[102] The data is based on surveys of several of the largest retail outlets specializing in audiovisual works. It is impossible to include the entire Russian retail network at once, due in part to the large number of players, as well as restrictions placed by video distributors on the publishing of information about sales figures for specific Russian releases.

[103] Even *Screen Digest*, which publishes estimates of the global volume of video sales, declines to offer a monetary estimate of 'grey' market turnover ("World video spending stabilises", November 2008, issue number 446).

In 2009, 76.4 million discs were sold in Russia, as opposed to 83.8 million in 2008. Thus, the overall level of DVD sales in Russia fell for the first time – by 8%, against a background of 25% growth in 2008 and 61% in 2007. This was due to the growing availability of broadband Internet access and the activity of video pirates, and the effect of the economic crisis, during which many Russians reduced their spending on expensive 'non-essentials', including licensed audiovisual works. In 2010 sales of DVDs again began to show an upturn: DVD sales for the first six months of 2010 exceeded all indices for the same period in 2008 and 2009. In the first half of 2010, the level of DVD sales reached 2008 indicators for the same time period (43.6 million DVDs – as opposed to 39.9 million in 2009). If the market maintains its growth rate, the number of DVDs sold could reach 80 million units by the end of 2010, higher than the 68.3 million discs predicted by analysts at *Screen Digest*.

It can therefore be concluded that overall, the effects of the crisis on the Russian licensed DVD market were overcome this year.

Figure 60. Sales volumes for licensed DVDs on the Russian market (millions of units) 2006-2010

In Russia, licensed DVD sales generally drop during the summer months. It is for this reason that video distributors reduce the number of releases during this period. It is also during the summer that distributors typically organize sales in conjunction with retailers to stimulate demand. Over the last three years there has been a displacement of this lull in sales (in 2010, it fell in August, after which the market made its usual autumn rebound and sales in October were similar to those of the previous October).

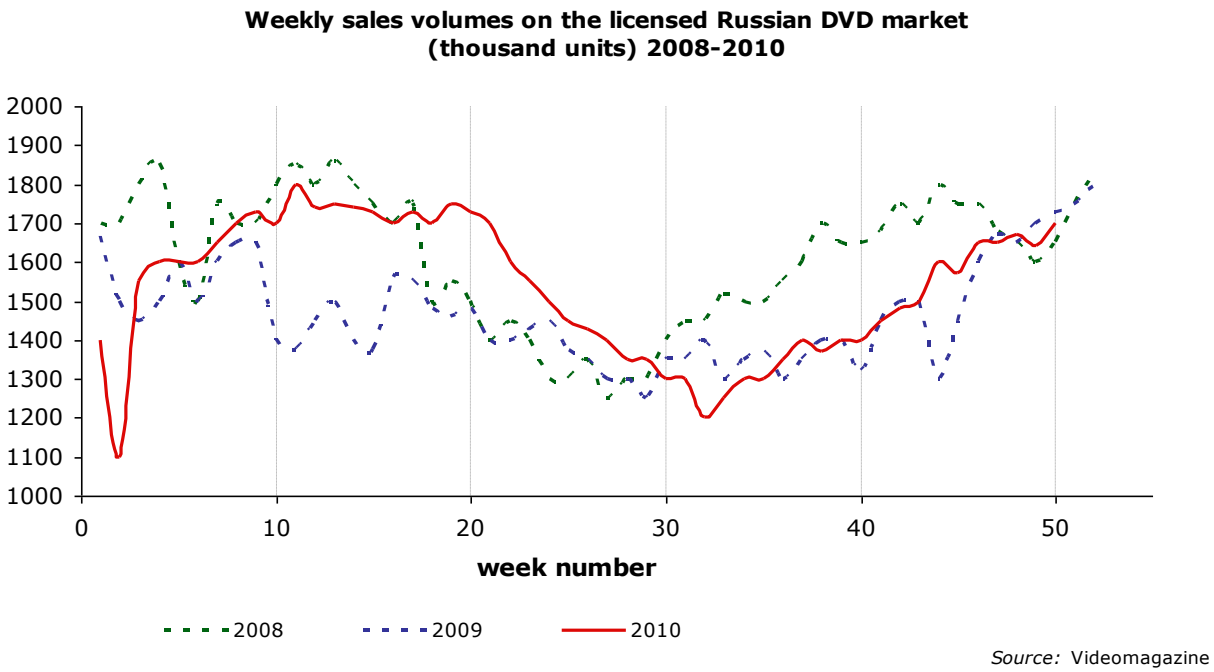


Figure 61. Weekly sales volumes on the licensed Russian DVD market (thousand units) over the period 2008–2010

No company in Russia gathers data on Blu-Ray sales, but the publication *Screen Digest* reports that sales are consistently growing. From 2007 to 2009 sales of Blu-Ray discs grew by a factor of 30, and even during the crisis period of 2008 and 2009, they grew threefold. Analysts predict that by the end of the year 1.52 million Blu-Rays will have been sold, with profits of more than RUB 1,770 million. Specialists at *Screen Digest* have posted the average cost of a Blu-Ray disc at RUB 775, continuing a steady decline from 2007-2008, when it was around RUB 1,300, and 2009, when a Blu-Ray cost RUB 1,020.[104]

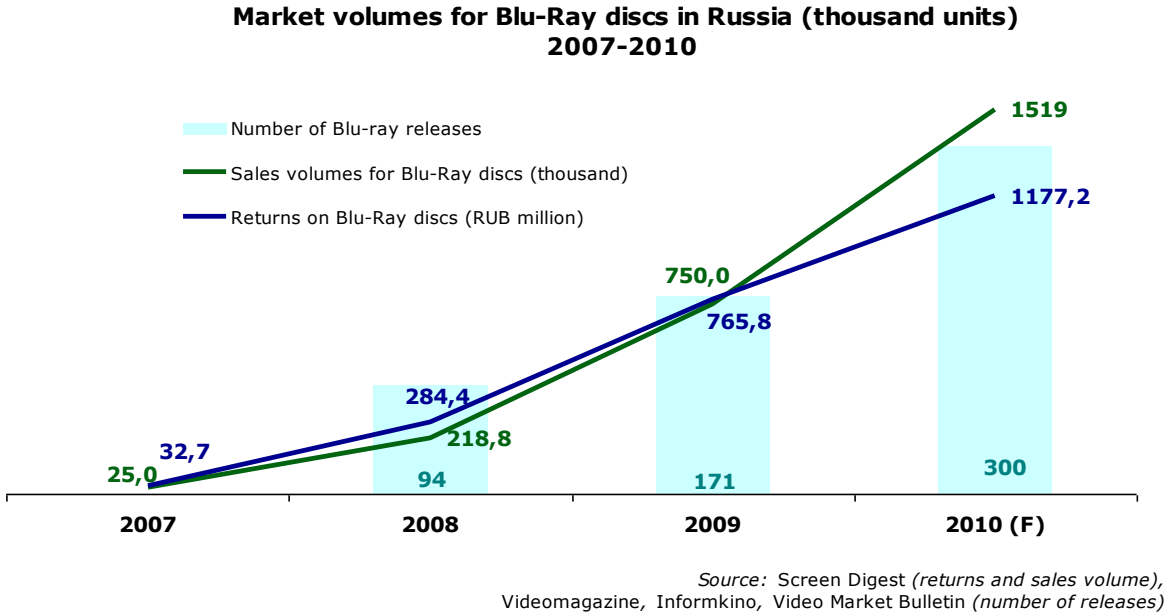


Figure 62. Market volumes for Blu-Ray discs in Russia (thousand units) over the period 2007–2010

[104] However, researchers from Nevafilm Research suggest that similar assessments of the average cost of Blu-Ray discs, as well as figures for the Russian video market for total profits, are by no means infallible, as the country still lacks an open monitoring system capable of confirming these figures.

2.4.5 An assessment of the market for pirated media

Finally, as was mentioned earlier, a serious factor in licensed video sales in Russia is the market for pirated films. In 1999, when the Russian DVD market was still in its infancy, video pirates working with VHS did not set their sights on the DVD sector as both the discs themselves and the devices that could play them were relatively expensive. By 2002, however, the situation had changed dramatically – thanks to the appearance of Chinese DVD players, pirates immediately switched to the new format and occupied 97% of the market. At that moment, the major DVD publishers created their own association[105], aimed at fighting physical piracy in the audio-visual sphere. In addition, the non-profit Russian Anti-Piracy Organisation (RAPO) had been actively fighting piracy since 1997 with the support of the Hollywood majors.[106] The main task of these associations was to detect illegal activity (from production, primarily recording in cinemas, to duplicating and distributing unlicensed discs), as well as to conduct special training sessions on the detection and identification of pirated products for members of law enforcement agencies.

As a result of such anti-piracy measures, and thanks to a toughening of criminal liability for distribution of counterfeit goods and more frequent police raids – in conjunction with the beginning of Russia's accession negotiations with the WTO – by 2008, distinct progress had been made in the fight against piracy in Russia. In spring 2009, the Association of DVD Publishers estimated the share of pirated products on the Russian DVD market at approximately 75% – 80% of total video sales. The Aventa-Info company, which specialises in intellectual property rights, makes a similar estimate: according to data from mid-2009, counterfeit audio-visual discs made up around 85% of the volume of goods on the market. Proceeding from these estimates and the known level of legal sales, it can be concluded that the turnover of the pirated DVD market for 2009 was somewhere between 134-141 million discs.

Interestingly, the appearance of the Blu-Ray format on the market was accompanied by the immediate availability of pirated discs. However, according to RAPO data, pirates are not selling genuine Blu-Ray discs, but rather two counterfeit versions: BD-R blanks without original menus, or DVD9s printed on ordinary DVDs and playable on computers (where special coders are present) and PlayStation 3 consoles.

At the same time, the spread of broadband Internet in Russia has led to ever greater levels of piracy on the web, leaving sales of unlicensed video formats to pale into the background. According to data from Internet Copyright Management, the most popular source for access to non-licensed audio-visual products is social networks that allow films to be watched online; the second most popular method is downloads from file-sharing hosts; the third is torrents and peer-to-peer networks; the least popular is sites that sell illegal copies of films via SMS. The main targets for Internet video piracy in Russia are the most widely-advertised new cinema releases. However, it is currently impossible to assess the damage created by downloading films from pirate resources and file-sharing networks in Russia, since there are no generally accepted methods for calculating rights holders' losses.[107]

2.5 Pricing

2.5.1 Contract negotiations on the Russian video market

It must be noted that information on pricing for the sale of rights on the Russian video market is not made public, as market players refuse to announce the value of contracts, citing confidentiality statutes. However, it is still possible to outline the overall conditions in which contract negotiations for video distribution rights take place. These conditions depend on the makeup of the Russian video market, where there are three categories of players: direct representatives of the American majors, official distributors of films from Hollywood studios, and independents (some of whom also represent Russian video interests abroad). There are many other players on the Russian video market that sell not only video rights, but also have diversified their services to include several markets, anything from theatrical distribution to TV and the Internet.

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[105] http://www.advdp.ru

[106] Lindsay Fincher, "A Plundering of America's Treasure: The U.S. Copyright Industry's Fight Against Russian Pirates", 09.12.2003, PSC192.

[107] The Film Industry in the Federation of Russia. The European Audiovisual Observatory, September 2010.

Representatives of major studios (Universal Pictures Russia, which handles Universal's films in Russia, 20th Century Fox CIS, and Walt Disney Company CIS) are all controlled by Hollywood studio heads, who determine the marketing and pricing policies, release schedules, promotional strategies, and so on. As is also true in the market for theatrical distribution, representatives of the majors are never exposed to serious risk, since they receive yearly budgets "from HQ" and simply send a portion of profits back to the head office after deducting expenses for the production of discs and the maintaining of the company itself (within its approved budget).

The official distributors for the major studios (Activision, VideoService (for Sony), Universal Pictures Russia, Warner Bros./ New Line, Paramount/ Dream Works, Canal Plus) already act relatively independently. As a result, the market has more variety and the types of deals closed are more diverse. Generally speaking, they guarantee licensers certain sales volumes on the Russian market (or throughout the CIS) and either calculate a percentage of profits or revenue, or agree on a fixed profit margin that the licensee receives.

Independent distributors make their own content decisions on the domestic or international markets for distribution in Russia, and formulate a strategy of development, establish contacts with retailers, and take full responsibility for all business decisions. Such companies either pay rights holders a fixed sum at the time rights are transferred or they pay a minimum guarantee and later pay a percentage of returns from sales.

Finally, Russian distributors might be the official representatives of Russian film production companies or archives. For example, CP Digital works with films from the production centre Central Partnership; Art Pictures Media presents pictures from Art Pictures Studio; Pervaya Videokompaniya deals in the TV broadcasts, movies, and television series that show on Channel One Russia; Noviy Disc shows films made by Smeshariki Group; Krupny Plan is the official video distributor of films from Mosfilm, Lenfilm, and Soyuzmultfilm Studios, as well as films from the Gosfilmofond federal film archive, and the company has its own restoration facilities and employs its own colourists for processing old black and white Soviet films, which have become quite popular in recent years; lastly, Ruscico presents films from the collections of former Soviet film studios abroad, doing all of the preparatory work for getting a film to market, from restoration and digitization of filmstock to dubbing and subtitling.

The majority of video distribution deals in Russia are for periods of two to three years, both for the official (external, not in-house) representatives of major studios and for independent distributors. Rights contracts frequently expire and the rights packages might be passed to other distributors.[108] And, as a result, a single film might hit the market several different times. The major studios also take bids for sales rights to films from their catalogues, granting packets of films to those companies that promise to move the most units. There is also the practice of sublicensing, which is generally the favoured practice of independent distributors that work the market via intermediaries. According to the distributors, these intermediaries are chosen based on the size of the retail network that the video distribution company works with.

2.5.2 Retail prices for video production

Russian video distributors have used pricing to combat piracy since 2007. There are no overall statistics for Russia's licensed video market, due to the closed nature of the market and distributors' reluctance to share information about sales and returns that could be used to calculate the average market cost of video discs (the demand price). There is, however, a set of retail prices on DVD and Blu-Ray recommended by Russian distributors for sales by the largest retail chains.

According to data from *Video Market Bulletin*, following a fall in demand in 2009, there was something of an increase in prices for new releases. The average retail price of licensed DVDs of new releases rose from RUB 300 to 400. At the same time, the cost of catalogue titles continued to drop, and in May 2009 not only did Universal Pictures Russia announce a large-scale drop in prices on catalogue titles from Warner Bros./New Line and Universal, but it also began to offer inexpensive, barebones DVD versions of some new titles while even

[108] For example, in January 2011, with the expiration of their three-year contract, the rights to Warner Bros. films are slated to be transferred from what was once the official representative, Universal Pictures Russia, to CP Digital; this became clear in August of 2010, although there still has not been an official announcement ("Video Market Bulletin", №28 (44), 16 August 2010).

lowering the price of some of their full-featured new releases. Recommended retail price for these releases came to only RUB 100.[109] Currently, many DVD releases (including new releases) can be bought for less than RUB 50-100 and DVD prices continue to drop. Distributors are trying to keep tangible media competitive and are making their releases more accessible and more varied. For example, in August 2010, VideoService started releasing double DVDs (a package including two full-value DVDs of films from Sony Pictures) with a recommended retail price of RUB 99 and a wholesale price of RUB 70[110], while CP Digital announced plans to release all major new releases as sets with bonus films, with a package price only 20% higher than a standard release. Aside from these efforts, several hypermarket chains now offer super-discounted DVDs in plastic sleeves for less than RUB 20.

Promotions on Blu-Ray discs are as aggressive as those for DVDs. In 2009 films on Blu-Ray retailed for RUB 1,000 to 1,500. At the same time, the format was the prerogative of early adopters, while other customers would have been hard-pressed to tell the difference between DVD and Blu-Ray. The new format was inaccessible to the average viewer not only because the discs themselves were expensive, but also because of the high cost of Blu-Ray players and HD screens. Worse, few films were available in Blu-Ray format. From spring 2009, as part of a plan to promote the Blu-Ray format in Russia, 20th Century Fox-CIS has collaborated with retail chains Hit Zone and 1C Interest to offer three-for-two offers on Blu-Ray discs. This promotion covers not only catalogue releases, but new releases as well (three catalogue releases at RUB 1,000 each, or three new releases at RUB 1,800 each). According to announcements made by representatives of the retail chains, the sale has resulted in a marked upturn in the volume of Blu-Ray discs sold by the distributor. In Hit Zone stores, for example, sales increased ninefold in comparison to previous months.[111] Another sale followed suit, as CP-Digital and 20th Century Fox-CIS released simplified Blu-Ray discs that differed from DVD releases with only HD resolution, but without enhanced sound quality and extra features. Although such discs were cheaper than regular Blu-Ray discs, they were still 3-4 times more expensive than a DVD. This sale was met with dissatisfaction from most representatives of the video market as well as consumers, who are already accustomed to paying a high price not only for a high-quality image, but also for high-quality sound and the bonus features which these simplified Blu-Rays lacked. No other such releases appeared on the Russian licensed video market, but the further advancement of this new format using price breaks and other offers has continued. In the summer of 2009, Paradise Video and then the Walt Disney Company CIS, releasing what were then its first forays into Blu-Ray, ran a three-for-two promotion on Blu-Ray titles. In December, VideoService followed suit. Within the terms of this promotion, one Blu-Ray release might cost a retail customer RUB 350-530. Thus, over the past year and a half, Blu-Ray discs have dropped in price from RUB 1,500 to RUB 300 per disc.[112] The average market price of a Blu-Ray disc is now at around RUB 900. At the same time, distributors continue to lower prices in an effort to stimulate demand. New releases from Sony Pictures available via the publisher Activision are now priced at RUB 450 to RUB 800, while Carmen Video released several new releases on Blu-Ray with a retail price of RUB 299. Universal Pictures Russia is less eager to reduce prices, but several releases from the Studio Canal catalogue and Warner Bros., both represented by Universal, can now be bought for RUB 500 (new releases from the company start at RUB 1,000). The latest price 'record' among video distributors came in September 2010 from Paradise Video, which offered a Blu-Ray catalogue release for a retail price of RUB 155. Since June 2010, the chains Media Markt and Auchan, have been selling Blu-Rays starting at RUB 150 or RUB 200 respectively (although this offer is limited to only ten Blu-Ray titles).

Furthermore, in winter 2009, home electronics stores offered their first Blu-Ray bundles; Blu-Ray players sold with Blu-Ray discs. One of the cheaper models of Samsung came with *The Pirates of the Caribbean* trilogy on Blu-Ray (according to data from *Video*

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[109] «Возвращение новых цен для старых релизов», «Бюллетень кинопрокатчика», №22/278, 29.05.2009 ["New prices for old releases", *Booker's Bulletin* №22/278, 29 May 2009].

[110] «Два фильма, два диска – 99 рублей», «Бюллетень видеорынка», №27/43, 11.08.2010 ["Two Films, two discs—99 roubles", *Video Market Bulletin*, №27/43, 11 August 2010].

[111] «Дешевые Blu-Ray диски стали еще дешевле», «Бюллетень кинопрокатчика» №20/276 от 15.05.2009 ["Cheap Blu-Ray discs become cheaper", *Booker's Bulletin* №20/276, 15 May 2009].

[112] «Новая ценовая планка Blu-Ray – 150 рублей», «Бюллетень видеорынка», №21/37, 21.06 2010 ["New Price Point for Blu-Ray – RUB 150", *Video Market Bulletin* №21/37, 21 June 2010].

Market Bulletin, such a package offered savings of about RUB 3,750 — almost half the cost of the player). Together with a Sony Playstation 3, meanwhile, the buyer would receive exclusive Blu-Ray releases of *District 9* and *Terminator Salvation.* The first Russian 3D Blu-Ray release—the cartoon "Cloudy, with a Chance of Meatballs"—was also an exclusive offer available only in bundles with 3D televisions from Sony. It should be noted that the recommended retail price for 3D Blu-Rays in Russia was RUB 1,500-2,000, which is 70% – 120% higher than the current typical price for Blu-Rays.[113]

Considering all of the pricing data from different video distributors for various categories of video discs, it is possible to establish a general range for DVD and Blu-Ray prices in Russia. In 2010 this range extends from RUB 20 to RUB 2,000. Although this information cannot be used to evaluate the overall market volume in currency terms (due to a lack of statistics on the number of discs sold in each category) this range gives us a general impression of the Russian market.

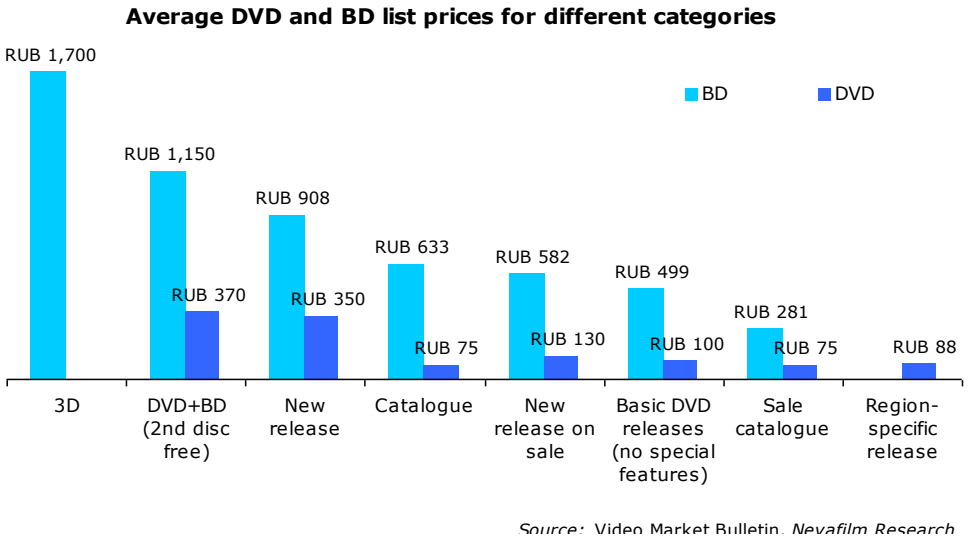

Figure 63. Average DVD and BD list prices for different categories

Finally, it should be noted that on 01 January 2011, Russian Federation Resolution №829 "On compensation for the free reproduction of audio and audiovisual works for personal use" of 14 October 2010 will come into force. In accordance with this Resolution, producers and importers of blank media and equipment for the recording and duplication of content will be required to pay a specially accredited organization 1% of the declared worth of their products, intended for the compensation of media authors. This measure may eventually lead to increases in DVD and Blu-Ray prices, as well as in the prices of players, televisions, and other video technology. However, market players note that a significant increase in prices is unlikely. The company Evroset puts possible price increases at a maximum of 1.18%.[114]

2.6 Principal market players[115]

2.6.1 Video distributors[116]

Overall, the Russian licensed video market has fewer than 30 players, including:

- *direct representatives* of Hollywood majors – 20th Century Fox CIS, on the market since 2004; Walt Disney Company CIS – on the market since January 2009; and Universal

[113] «Blu-Ray 3D в России – дорогое удовольствие», «Бюллетень видеорынка», №28/44, 16.08.2010 ["3D Blu-Rays in Russia, an expensive luxury", *Video Market Bulletin* №28/44, 16 August 2010].
[114] Виталий Петлевой, Михайл Черкасов. «Технику поставили на процент», «РБК daily», №165/628, 26.10.2010 [Vitaliy Petlev, Mikhail Cherkassov. "Technology delivered with interest", *RBC Daily*, №165/628, 20 October 2010].
[115] Our lists of market players can not be considered all-inclusive; the tables do not show smaller companies, regional or local distributors, or distributors, manufacturing plants, or stores whose legality might be called into question.
[116] Distributors are evaluated and ranked based on published lists of releases in the publications *Videomagazine* and *Video Market Bulletin*; when distributors fail to publish information about certain of their releases, then this company's rank might appear to be lower than it is.

Pictures Russia, distributing the films of Universal Studios – on the Russian market since 2005;

– *official distributors* of films from major studios: Activision, a part of VideoService (publishing films from Sony since 1997 and, from 2002 to 2008, films from Walt Disney Pictures); Universal Pictures Russia, which publishes films from Warner Bros./ New Line, Paramount/ Dream Works, and Canal Plus. However, the list of official distributors is constantly changing; for example, starting in 2011 the rights to Warner Bros. films is going to be transferred to CP Digital, meaning that CP Digital will soon join this list of official distributors of major Hollywood studios in Russia[117];

– *independent video distributors* offering a wide range of Russian and foreign releases (Paradise Video, CP Digital, Soyuz Video, Carmen Video, Lizard Cinema Trade, Misteriya Zvuka, Flagman Trade, etc.). Some of these companies specialize in releases of a single genre. Carmen Video, for example, generally releases art-house and screen adaptations of classic literature, while Reanimedia is one of the largest Russian video distributors of anime. However, the majority of market players represent a full range of films, animation, TV series and programmes on video, including many different genres.

Currently leading the pack in the number of titles released in Russia on DVD are Noviy Disk, Universal Pictures Russia, and Soyuz Video.

[117] Слух: пакет Warner Bros. переходит к CP Digital // «Бюллетень видеорынка», №28 (44), 16.08.2010 г. [Rumor: Rights to Warner Bros. going to CP Digital], *Video Market Bulletin*, №28 (44), 16 August 2010.

Table 21. Ranking of Russian distributors by number of releases in 2008

#	Distributor	Number of releases between 01 January and 31 December 2008						Percentage of this distributor's overall catalogue of releases			
		feature films	featured TV series	documentary films and series	animated films	Total	Distributor's share	feature films	featured TV series	documentary films and series	animated films
1	CP Digital	402	23	14	12	**451**	23.7%	89.1%	5.1%	3.1%	2.7%
2	Soyuz Video	183	10	113	53	**359**	18.9%	51.0%	2.8%	31.5%	14.8%
3	Carmen Video	84	52	27	0	**163**	8.6%	51.5%	31.9%	16.6%	0.0%
4	Universal Pictures Russia	97	11	0	30	**138**	7.3%	70.3%	8.0%	0.0%	21.7%
5	VOX Video	92	11	5	1	**109**	5.7%	84.4%	10.1%	4.6%	0.9%
6	Paradise Video (Paradise Digital; Paradise VS)	105	0	0	1	**106**	5.6%	99.1%	0.0%	0.0%	0.9%
7	Nastroenie Video	97	0	4	1	**102**	5.4%	95.1%	0.0%	3.9%	1.0%
8	VideoService	64	7	0	30	**101**	5.3%	63.4%	6.9%	0.0%	29.7%
9	Pyramid Video	62	5	0	2	**69**	3.6%	89.9%	7.2%	0.0%	2.9%
10	Lizard Cinema Trade	54	1	3	5	**63**	3.3%	85.7%	1.6%	4.8%	7.9%
11	Sigma Film	58	1	1	1	**61**	3.2%	95.1%	1.6%	1.6%	1.6%
12	Pervaya Videokompaniya	17	13	25	2	**57**	3.0%	29.8%	22.8%	43.9%	3.5%
13	Cinema Prestige	51	0	0	0	**51**	2.7%	100.0%	0.0%	0.0%	0.0%
14	Music Trade	20	7	2	7	**36**	1.9%	55.6%	19.4%	5.6%	19.4%
15	20th Century Fox CIS	24	3	0	7	**34**	1.8%	70.6%	8.8%	0.0%	20.6%
16	Misteriya Zvuka	10	2	1	8	**21**	1.1%	47.6%	9.5%	4.8%	38.1%
17	Device	12	3	0	5	**20**	1.1%	60.0%	15.0%	0.0%	25.0%
18	Krupny Plan	8	0	0	10	**18**	0.9%	44.4%	0.0%	0.0%	55.6%
19	AMG Video	0	0	17	0	**17**	0.9%	0.0%	0.0%	100.0%	0.0%
20	Kino Bez Granits	10	0	1	0	**11**	0.6%	90.9%	0.0%	9.1%	0.0%
21	Buka Film	5	0	0	0	**5**	0.3%	100.0%	0.0%	0.0%	0.0%
22	Ruscico	0	0	0	4	**4**	0.2%	0.0%	0.0%	0.0%	100.0%
23	InterCinema	4	0	0	0	**4**	0.2%	100.0%	0.0%	0.0%	0.0%
24	Neoclassica	2	0	0	0	**2**	0.1%	100.0%	0.0%	0.0%	0.0%
25	Top Industry	1	0	0	0	**1**	0.1%	100.0%	0.0%	0.0%	0.0%

Source: Videomagazine, Video Market Bulletin, *Nevafilm Research*

Table 22. Ranking of Russian video distributors by number of releases, 2009

#	Distributor	Number of releases between 01 January and 31 December 2009						Percentage of distributor's overall catalogue of releases			
		feature films	featured TV series	documentary films and series	animated films	Total	Distributor's share	feature films	featured TV series	documentary films and series	animated films
1	CP Digital	210	56	5	12	**283**	17.8%	74.2%	19.8%	1.8%	4.2%
2	Carmen Video	115	105	5	3	**228**	14.4%	50.4%	46.1%	2.2%	1.3%
3	Soyuz Video	69	1	81	39	**190**	12.0%	36.3%	0.5%	42.6%	20.5%
4	Universal Pictures Russia	126	13	0	38	**177**	11.1%	71.2%	7.3%	0.0%	21.5%
5	Paradise Video (Paradise Digital; Paradise VS)	143	0	24	9	**176**	11.1%	81.3%	0.0%	13.6%	5.1%
6	Nastroenie Video	131	1	0	0	**132**	8.3%	99.2%	0.8%	0.0%	0.0%
7	Sigma Film	69	2	0	0	**71**	4.5%	97.2%	2.8%	0.0%	0.0%
8	VideoService	50	7	8	4	**69**	4.3%	72.5%	10.1%	11.6%	5.8%
9	Walt Disney Company CIS	28	14	0	25	**67**	4.2%	41.8%	20.9%	0.0%	37.3%
10	Lizard Cinema Trade	42	13	0	4	**59**	3.7%	71.2%	22.0%	0.0%	6.8%
11	Cinema Prestige	45	1	1	7	**54**	3.4%	83.3%	1.9%	1.9%	13.0%
12	Krupny Plan	28	3	0	9	**40**	2.5%	70.0%	7.5%	0.0%	22.5%
13	Misteriya Zvuka	17	3	3	10	**33**	2.1%	51.5%	9.1%	9.1%	30.3%
14	Flagman Trade	21	4	0	1	**26**	1.6%	80.8%	15.4%	0.0%	3.8%
15	Music Trade	14	7	0	4	**25**	1.6%	56.0%	28.0%	0.0%	16.0%
16	Amalgama Company	17	0	0	0	**17**	1.1%	100.0%	0.0%	0.0%	0.0%
17	20th Century Fox CIS	12	1	0	3	**16**	1.0%	75.0%	6.3%	0.0%	18.8%
18	Noviy Disk	7	0	4	5	**16**	1.0%	43.8%	0.0%	25.0%	31.3%
19	Ruscico	12	0	0	1	**13**	0.8%	92.3%	0.0%	0.0%	7.7%
20	Bely Slon	9	0	1	0	**10**	0.6%	90.0%	0.0%	10.0%	0.0%
21	Pervaya Videokompaniya	1	2	4	1	**8**	0.5%	12.5%	25.0%	50.0%	12.5%
22	Videoimpulse	7	0	0	0	**7**	0.4%	100.0%	0.0%	0.0%	0.0%
23	Luxor	7	0	0	0	**7**	0.4%	100.0%	0.0%	0.0%	0.0%
24	Russkiy Reportazh	7	0	0	0	**7**	0.4%	100.0%	0.0%	0.0%	0.0%
25	West Video	2	1	0	0	**3**	0.2%	66.7%	33.3%	0.0%	0.0%
26	Reanimedia	0	0	0	2	**2**	0.1%	0.0%	0.0%	0.0%	100.0%
27	Volga	1	0	0	0	**1**	0.1%	100.0%	0.0%	0.0%	0.0%

Source: Videomagazine, Video Market Bulletin, *Nevafilm Research*

Table 23. Ranking of Russian video distributors by number of releases in the first half of 2010

#	Distributor	Number of releases between 01 January and 01 July 2010						Percentage of this type of content in the distributor's overall catalogue of releases			
		feature films	featured TV series	documentary films and series	animated films	Total	Distributor's share	feature films	featured TV series	documentary films and series	animated films
1	Noviy Disk	148	13	8	25	**194**	15.7%	76.3%	6.7%	4.1%	12.9%
2	Soyuz Video	41	5	79	26	**151**	12.2%	27.2%	3.3%	52.3%	17.2%
3	Universal Pictures Russia	80	15	0	4	**99**	8.0%	80.8%	15.2%	0.0%	4.0%
4	Volga	80	1	2	1	**84**	6.8%	95.2%	1.2%	2.4%	1.2%
5	DVD Magic	6		67	7	**80**	6.5%	7.5%	0.0%	83.8%	8.8%
6	Misteriya Zvuka	44	3	13	19	**79**	6.4%	55.7%	3.8%	16.5%	24.1%
7	Paradise Video (Paradise Digital; Paradise VS)	59	1	1	16	**77**	6.2%	76.6%	1.3%	1.3%	20.8%
8	CP Digital	63	3	2	4	**72**	5.8%	87.5%	4.2%	2.8%	5.6%
9	Ruscico	44	0	5	7	**56**	4.5%	78.6%	0.0%	8.9%	12.5%
10	Walt Disney Company CIS	20	1	1	32	**54**	4.4%	37.0%	1.9%	1.9%	59.3%
11	New Dream Media	38	1	0	10	**49**	4.0%	77.6%	2.0%	0.0%	20.4%
12	Carmen Video	40	4	2	0	**46**	3.7%	87.0%	8.7%	4.3%	0.0%
13	Flagman Trade	15	18	8	4	**45**	3.6%	33.3%	40.0%	17.8%	8.9%
14	20th Century Fox CIS	33	3	0	4	**40**	3.2%	82.5%	7.5%	0.0%	10.0%
15	VideoService	28	0	2	2	**32**	2.6%	87.5%	0.0%	6.3%	6.3%
16	Russkoe Schast'e Home Video	8	8	8	0	**24**	1.9%	33.3%	33.3%	33.3%	0.0%
17	West Video	12	0	2	0	**14**	1.1%	85.7%	0.0%	14.3%	0.0%
18	Lizard Cinema Trade	13	0	0	0	**13**	1.1%	100.0%	0.0%	0.0%	0.0%
19	CD Land	10	0	0	2	**12**	1.0%	83.3%	0.0%	0.0%	16.7%
20	Sigma Film	6	0	0	0	**6**	0.5%	100.0%	0.0%	0.0%	0.0%
21	Monolit	4	0	0	0	**4**	0.3%	100.0%	0.0%	0.0%	0.0%
22	Russkiy Reportazh	2	0	0	0	**2**	0.2%	100.0%	0.0%	0.0%	0.0%
23	Reanimedia	0	0	0	1	**1**	0.1%	0.0%	0.0%	0.0%	100.0%
24	Art Pictures Media	1	0	0	0	**1**	0.1%	100.0%	0.0%	0.0%	0.0%
25	Pervaya Videokompaniya	1	0	0	0	**1**	0.1%	100.0%	0.0%	0.0%	0.0%

Source: "Videomagazine", "Video Market Bulletin", *Nevafilm Research*

Table 24. Comparison of new releases and catalogue releases in video distributors' rights packages, 2008

Ranking by overall number of releases	Company	Number of releases between 01 January and 31 December 2008			
		New releases	Catalogue	Total	New releases as percentage of distributor's output
1	CP Digital	148	303	**451**	32.8%
2	Soyuz-Video	75	284	**359**	20.9%
3	Carmen Video	7	156	**163**	4.3%
4	Universal Pictures Russia	80	58	**138**	58.0%
5	VOX Video	65	44	**109**	59.6%
6	Paradise Video (Paradise Digital; Paradise VS)	68	38	**106**	64.2%
7	Nastroenie Video	26	76	**102**	25.5%
8	VideoService	65	36	**101**	64.4%
9	Pyramid Video	0	69	**69**	0.0%
10	Lizard Cinema Trade	26	37	**63**	41.3%
11	Sigma Film	27	34	**61**	44.3%
12	Pervaya Videokompaniya	30	27	**57**	52.6%
13	Cinema Prestige	0	51	**51**	0.0%
14	Music Trade	16	20	**36**	44.4%
15	20th Century Fox CIS	26	8	**34**	76.5%
16	Misteriya Zvuka	10	11	**21**	47.6%
17	Device	0	20	**20**	0.0%
18	Krupny Plan	0	18	**18**	0.0%
19	AMG Video	13	4	**17**	76.5%
20	Kino Bez Granits	4	7	**11**	36.4%
21	Buka Film	1	4	**5**	20.0%
22	Ruscico	0	4	**4**	0.0%
23	Intercinema	0	4	**4**	0.0%
24	Neoclassica	0	2	**2**	0.0%
25	Top Industry	0	1	**1**	0.0%

Source: Videomagazine, Video Market Bulletin, *Nevafilm Research*

Table 25. Comparison of new releases and catalogue releases in video distributors' rights packages, 2009

Ranking by overall number of releases	Distributor	Number of releases between 01 January and 01 September 2009			
		New releases	Catalogue	Total	Percentage of distributor's releases that represent new releases
1	CP Digital	151	132	**283**	53.4%
2	Carmen Video	26	202	**228**	11.4%
3	Soyuz Video	1	189	**190**	0.5%
4	Universal Pictures Russia	92	85	**177**	52.0%
5	Paradise Video (Paradise Digital; Paradise VS)	69	107	**176**	39.2%
6	Nastroenie Video	13	119	**132**	9.8%
7	Sigma Film	37	34	**71**	52.1%
8	VideoService	51	18	**69**	73.9%
9	Walt Disney Company CIS	26	41	**67**	38.8%
10	Lizard Cinema Trade	13	46	**59**	22.0%
11	Cinema Prestige	0	54	**54**	0.0%
12	Krupny Plan	0	40	**40**	0.0%
13	Misteriya Zvuka	14	19	**33**	42.4%
14	Flagman Trade	12	14	**26**	46.2%
15	Music Trade	8	17	**25**	32.0%
16	Amalgama Company	0	17	**17**	0.0%
17	20th Century Fox CIS	13	3	**16**	81.3%
18	Noviy Disk	9	7	**16**	56.3%

Ranking by overall number of releases	Distributor	Number of releases between 01 January and 01 September 2009			
		New releases	Catalogue	Total	Percentage of distributor's releases that represent new releases
19	Ruscico	0	13	**13**	0.0%
20	Bely Slon	3	7	**10**	30.0%
21	Pervaya Videokompaniya	1	7	**8**	12.5%
22	Russkiy Reportazh	5	2	**7**	71.4%
23	Videoimpulse	0	7	**7**	0.0%
24	Luxor	0	7	**7**	0.0%
25	West Video	3	0	**3**	100.0%
26	Reanimedia	0	2	**2**	0.0%
27	Volga	1	0	**1**	100.0%

Source: Videomagazine, Video Market Bulletin, *Nevafilm Research*

Table 26. Comparison of new releases and catalogue releases in video distributors' rights packages, 2010

Ranking by overall number of releases	Company	Number of releases between 01 January and 01 July 2010			
		New releases	Catalogue	Total	Percentage of distributor's releases that represent new releases
1	Noviy Disk	75	119	**194**	38.7%
2	Soyuz Video	95	56	**151**	62.9%
3	Universal Pictures Russia	32	67	**99**	32.3%
4	Volga	47	37	**84**	56.0%
5	DVD Magic	23	57	**80**	28.8%
6	Misteriya Zvuka	27	52	**79**	34.2%
7	Paradise Video (Paradise Digital; Paradise VS)	39	38	**77**	50.6%
8	CP Digital	48	24	**72**	66.7%
9	Ruscico	7	49	**56**	12.5%
10	Walt Disney Company CIS	9	45	**54**	16.7%
11	New Dream Media	30	19	**49**	61.2%
12	Carmen Video	15	31	**46**	32.6%
13	Flagman Trade	25	20	**45**	55.6%
14	20th Century Fox CIS	15	25	**40**	37.5%
15	VideoService	32	0	**32**	100.0%
16	Russkoe Schast'e Home Video	13	11	**24**	54.2%
17	West Video	10	4	**14**	71.4%
18	Lizard Cinema Trade	8	5	**13**	61.5%
19	CD Land	10	2	**12**	83.3%
20	Sigma Film	3	3	**6**	50.0%
21	Monolit	4	0	**4**	100.0%
22	Russkiy Reportazh	2	0	**2**	100.0%
23	Reanimedia	1	0	**1**	100.0%
24	Art Pictures Media	1	0	**1**	100.0%
25	Pervaya Videokompaniya	1	0	**1**	100.0%

Source: Videomagazine, Video Market Bulletin, *Nevafilm Research*

Table 27. Comparison of the number of releases from different countries in distributors' catalogues, 2008[118]

Ranking by overall number of releases	Distributor	Number of releases between 01 January and 31 December 2008						Number of releases from other regions		
		Others	Europe	North America	Russia	Total	Share of Russian releases in a package	Share of North American releases in a package	Share of European releases in package	Percentage of foreign releases in the distributor's catalogue
1	CP Digital	34	126	215	75	**450**	16.7%	47.8%	28.0%	7.6%
2	Soyuz Video	3	120	153	83	**359**	23.1%	42.6%	33.4%	0.8%
3	Carmen Video	6	100	50	7	**163**	4.3%	30.7%	61.3%	3.7%
4	Universal Pictures Russia	0	19	119	0	**138**	0.0%	86.2%	13.8%	0.0%
5	VOX Video	0	11	50	48	**109**	44.0%	45.9%	10.1%	0.0%
6	Paradise Video (Paradise Digital; Paradise VS)	3	33	38	32	**106**	30.2%	35.8%	31.1%	2.8%
7	Nastroenie Video	14	52	24	12	**102**	11.8%	23.5%	51.0%	13.7%
8	VideoService	3	11	77	10	**101**	9.9%	76.2%	10.9%	3.0%
9	Pyramid Video	3	24	37	5	**69**	7.2%	53.6%	34.8%	4.3%
10	Lizard Cinema Trade	0	15	28	21	**64**	32.8%	43.8%	23.4%	0.0%
11	Sigma Film	3	8	50	0	**61**	0.0%	82.0%	13.1%	4.9%
12	Pervaya Videokompaniya	0	3	3	51	**57**	89.5%	5.3%	5.3%	0.0%
13	Cinema Prestige	1	40	10	0	**51**	0.0%	19.6%	78.4%	2.0%
14	Music Trade	1	14	10	11	**36**	30.6%	27.8%	38.9%	2.8%
15	20th Century Fox CIS	0	4	30	0	**34**	0.0%	88.2%	11.8%	0.0%
16	Misteriya Zvuka	1	4	2	14	**21**	66.7%	9.5%	19.0%	4.8%
17	Device	3	1	16	0	**20**	0.0%	80.0%	5.0%	15.0%
18	Krupny Plan	0	0	0	18	**18**	100.0%	0.0%	0.0%	0.0%
19	AMG Video	0	0	0	17	**17**	100.0%	0.0%	0.0%	0.0%
20	Kino Bez Granits	5	2	2	2	**11**	18.2%	18.2%	18.2%	45.5%
21	Buka Film	5	0	0	0	**5**	0.0%	0.0%	0.0%	100.0%
22	Ruscico	3	1	0	0	**4**	0.0%	0.0%	25.0%	75.0%
23	Intercinema	3	1	0	0	**4**	0.0%	0.0%	25.0%	75.0%
24	Neoclassica	0	1	1	0	**2**	0.0%	50.0%	50.0%	0.0%
25	Top Industry	0	1	0	0	**1**	0.0%	0.0%	100.0%	0.0%

Source: "Videomagazine", "Video Market Bulletin", *Nevafilm Research*

Table 28. Comparison of the number of releases from different countries in distributors' catalogues, 2009

Ranking by	Distributor	Number of releases between 01 January and 31 December 2009	Number of releases from other regions

[118] Again, Russian films include all films produced with Russia's participation; European films are films made with the participation of at least one European country, not including co-productions with Russia; North-American films are films made with the participation of the USA, not including co-productions between the USA and Europe or the USA and Russia; lastly, films produced in other countries include films from Asia, Australia, Latin America, and other countries that were made without the participation of the USA, Russia, or European countries.

overall number of releases		Others	Europe	North America	Russia	Total	Share of Russian releases in package	Share of North American release in a package	Share of European releases in package	Percentage of foreign releases in the distributor's catalogue
1	CP Digital	28	58	62	135	**283**	47.7%	21.9%	20.5%	9.9%
2	Soyuz Video	1	66	71	54	**192**	28.1%	37.0%	34.4%	0.5%
3	Universal Pictures Russia	3	46	128	0	**177**	0.0%	72.3%	26.0%	1.7%
4	Paradise Video (Paradise Digital; Paradise VS)	3	56	62	55	**176**	31.3%	35.2%	31.8%	1.7%
5	Carmen Video	5	117	16	4	**142**	2.8%	11.3%	82.4%	3.5%
6	Nastroenie Video	5	39	84	4	**132**	3.0%	63.6%	29.5%	3.8%
7	Sigma Film	13	10	48	0	**71**	0.0%	67.6%	14.1%	18.3%
8	VideoService	2	25	38	4	**69**	5.8%	55.1%	36.2%	2.9%
9	Walt Disney Company CIS	1	7	56	3	**67**	4.5%	83.6%	10.4%	1.5%
10	Lizard Cinema Trade	1	7	12	39	**59**	66.1%	20.3%	11.9%	1.7%
11	Cinema Prestige	14	35	5	0	**54**	0.0%	9.3%	64.8%	25.9%
12	Krupny Plan	0	0	0	39	**39**	100.0%	0.0%	0.0%	0.0%
13	Misteriya Zvuka	0	7	7	20	**34**	58.8%	20.6%	20.6%	0.0%
14	Flagman Trade	4	0	14	8	**26**	30.8%	53.8%	0.0%	15.4%
15	Music Trade	7	3	5	10	**25**	40.0%	20.0%	12.0%	28.0%
16	Amalgama Company	0	3	12	2	**17**	11.8%	70.6%	17.6%	0.0%
17	20th Century Fox CIS	0	0	16	0	**16**	0.0%	100.0%	0.0%	0.0%
18	Noviy Disk	1	7	3	5	**16**	31.3%	18.8%	43.8%	6.3%
19	Ruscico	4	0	0	9	**13**	69.2%	0.0%	0.0%	30.8%
20	Bely Slon	8	1	1	0	**10**	0.0%	10.0%	10.0%	80.0%
21	Pervaya Videokompaniya	0	0	7	1	**8**	12.5%	87.5%	0.0%	0.0%
22	Videoimpulse	0	7	0	0	**7**	0.0%	0.0%	100.0%	0.0%
23	Luxor	0	0	7	0	**7**	0.0%	100.0%	0.0%	0.0%
24	Russkiy Reportazh	3	4	0	0	**7**	0.0%	0.0%	57.1%	42.9%
25	West Video	0	0	3	0	**3**	0.0%	100.0%	0.0%	0.0%
26	Reanimedia	2	0	0	0	**2**	0.0%	0.0%	0.0%	100.0%
28	Volga	0	0	1	0	**1**	0.0%	100.0%	0.0%	0.0%

Source: Videomagazine, Video Market Bulletin, *Nevafilm Research*

Table 29. Comparison of the number of releases from different countries in distributors' catalogues, first half of 2010

#	Distributor	Number of releases between 01 January and 01 July 2010	Number of releases from other regions

		Others	Europe	North America	Russia	Total	Share of Russian releases in package	Share of North American release in a package	Share of European releases in package	Percentage of foreign releases in the distributor's catalogue
1	Noviy Disk	19	62	68	45	**194**	23.2%	35.1%	32.0%	9.8%
2	Soyuz Video	13	78	32	28	**151**	18.5%	21.2%	51.7%	8.6%
3	Universal Pictures Russia	1	3	95	0	**99**	0.0%	96.0%	3.0%	1.0%
4	Volga	4	21	59	0	**84**	0.0%	70.2%	25.0%	4.8%
5	DVD Magic	0	7	68	5	**80**	6.3%	85.0%	8.8%	0.0%
6	Misteriya Zvuka	2	31	16	30	**79**	38.0%	20.3%	39.2%	2.5%
7	Paradise Video (Paradise Digital; Paradise VS)	6	26	28	17	**77**	22.1%	36.4%	33.8%	7.8%
8	CP Digital	12	25	19	16	**72**	22.2%	26.4%	34.7%	16.7%
9	Ruscico	21	7	0	28	**56**	50.0%	0.0%	12.5%	37.5%
10	Walt Disney Company CIS	0	1	51	2	**54**	3.7%	94.4%	1.9%	0.0%
11	New Dream Media	8	11	23	7	**49**	14.3%	46.9%	22.4%	16.3%
12	Carmen Video	1	43	2	0	**46**	0.0%	4.3%	93.5%	2.2%
13	Flagman Trade	2	2	28	13	**45**	28.9%	62.2%	4.4%	4.4%
14	20th Century Fox CIS			39	1	**40**	2.5%	97.5%	0.0%	0.0%
15	VideoService	1	8	21	2	**32**	6.3%	65.6%	25.0%	3.1%
16	Russkoe Schast'e Home Video	2	0	0	22	**24**	91.7%	0.0%	0.0%	8.3%
17	West Video	1	1	12	0	**14**	0.0%	85.7%	7.1%	7.1%
18	Lizard Cinema Trade	0	2	9	2	**13**	15.4%	69.2%	15.4%	0.0%
19	CD Land	3	5	3	1	**12**	8.3%	25.0%	41.7%	25.0%
20	Sigma Film	0	0	6	0	**6**	0.0%	100.0%	0.0%	0.0%
21	Monolit	0	1	3	0	**4**	0.0%	75.0%	25.0%	0.0%
22	Russkiy Reportazh	0	2	0	0	**2**	0.0%	0.0%	100.0%	0.0%
23	Reanimedia	1	0	0	0	**1**	0.0%	0.0%	0.0%	100.0%
24	Art Pictures Media	0	0	0	1	**1**	100.0%	0.0%	0.0%	0.0%
25	Pervaya Videokompaniya	0	0	0	1	**1**	100.0%	0.0%	0.0%	0.0%

Source: Videomagazine, Video Market Bulletin, *Nevafilm Research*

Table 30. Data on key players on the Russian video market (in alphabetical order)

1	2	3	4	5	6	7	8	9	10	11	12	13
Ranking	**Company**	**Holding**	**Year of debut on the video market**	**Specialism**	**Partners (rights holders), list not exhaustive**	**Format**	**Traditional distribution territory**	**Additional rights**	**Production base**	**Ownership of retail chain**	**Other company activities**	**Assessment of market volume**
1	20th Century Fox CIS (http://www.foxrussia.com)	20th Century Fox	2006 (previously - Gemini Film)	-	20th Century Fox	DVD, BD	Russian Federation, CIS	All rights	n/a	-	CD distribution, CD Land Records recording label, in-house events management agency	n/a
2	CD Land Video (http://www.cdland.ru)	CD Land (CD Land Video, CD Land Records etc.)	2004	-	-	DVD, BD, CD	Russia, CIS, USA, Israel, Germany	n/a	n/a	CD Land retail chain	-	n/a
3	Art Pictures Media (http://www.art-pictures.ru)	Art Pictures Group	2009	-	-	DVD, BD	Russian Federation	Public screening, TV	n/a	-	-	n/a
4	CP Digital (http://www.cpdvd.ru)	-	2000	-	Central Partnership (exclusive distributor), leading TV channels (VTRK, NTV)	DVD, BD	Russia and CIS	TV, public screenings (under the Premium Film rental brand)	Disk PRO Plus (proprietary manufacturing plant)	-	Film distribution	n/a
5	DVD Magic (http://www.dvdmagic.ru)	DVD Magic	2001	Classics of world cinema	Canal Plus, Gosteleradiofond, Gorky Film Studio, Lenfilm Studios, Mosfilm Film Concern, Krupny Plan, and the Ukrainian DVD Company	DVD, BD	Russian Federation, CIS	n/a	RepliMaster manufacturing	-	Cinema distribution, TV distribution	n/a
6	Lizard Cinema Trade (http://www.lizardct.ru)	-	1995	-	Krupny Plan, Sigma Film, Mosfilm Film Concern, Soyuzmultfilm	DVD, BD	Russian Federation, Ukraine, CIS	TV	n/a	-	-	According to analysis by GfK RUS, 12% market share
7	MC Entertainment (http://www.mc-ent.ru)	-	2002	Anime	Reanimedia (co-publishers)	DVD	Russian Federation	TV, public screening	n/a	Anime Guide online store (http://www.aniguide.ru), retail outlet in Moscow	-	n/a
8	Mega-Anime (http://www.mega-anime.ru)	Megaliner Records	2005	Anime (series)	-	DVD	Russian Federation	TV	n/a	Proprietary online store	Production of media content	n/a
9	Neoclassica (http://www.neoclassicafilm.ru)	-	2006	Old films, classics	-	DVD	Russian Federation	n/a	n/a	-	Publication of *Anime Guide* magazine, Moscow Anime Festival, print advertising	n/a
10	New Dream Media (http://www.ndream.ru)	VideoService	1999	-	-	DVD	Russian Federation	Film screening	DVD Club manufacturing	VS-Trade, Hit-Zone retail chain	music distribution, music production, licensing, record label	n/a
11	Ruscico (http://www.ruscico.com)	-	more than 10 years	-	-	DVD, BD	Russian Federation, CIS and Baltic countries, the international market	VoD, Internet, public display	DVD Club, Laser Craft, RepliMaster	Proprietary online store	-	n/a
12	Twister Digital Video (http://www.dvd.ru)	DVD Magic	2005	Modern films	exclusive Russian publisher and distributor for Discovery Channel video content	DVD	Russian Federation, CIS	n/a	RepliMaster manufacturing	-	disc manufacturer, wholesale broker (VS-Trade), logistics (Mirada, Realtetrade), etc.	n/a
13	Universal Pictures Russia (http://www.dvd.universalpictures.ru)	Universal Pictures International	2006	-	Universal Pictures, Warner Bros., Paramount, New Line, Studio Canal	DVD, BD	Russian Federation	All rights	n/a	-	Film distribution	n/a
14	Walt Disney Company CIS (http://www.waltdisney.ru)	The Walt Disney Company	2009	-	The Walt Disney Company, DreamWorks	DVD, BD	Russian Federation, CIS	All rights	n/a	-	-	n/a
15	West Video (http://www.westvideo.ru)	West Video	1994	-	-	DVD, BD	Russian Federation, Ukraine, Belarus	VoD, TV, public display	n/a	-	-	n/a

1	2	3	4	5	6	7	8	9	10	11	12	13
16	Arena Video (http://www.arena-video.ru)	-	1997	-	-	DVD	Russian Federation, Lithuania	TV	Arena (proprietary manufacturing plant)	Proprietary online store (payment by post)	Film distribution, TV distribution, licensing of Disney brand-name consumer goods, licensing of publishing activities, production and distribution of mobile and Internet-based content and games for PC and game consoles	n/a
17	Bely Slon (http://www.rsvideo.ru)	Russkoe Schast'e Distribution	2005	Indian Films	Bollywood Option, Yash Raj Films	DVD	Russian Federation, CIS	TV, Internet	RepliMaster manufacturing	-	Film distribution, cinema chain (West)	n/a
18	VideoService (including Activision) (http://www.spire.ru)	VideoService	mid-1990s	-	Sony Pictures (official representative – Activision)	DVD, BD	Russian Federation, CIS	-	Proprietary manufacturing plant – DVD Club	VS-Trade, Hit-Zone retail chain	-	n/a
19	Intercinema (http://www.intercinema.ru)	-	1990s	Arthouse	-	DVD	Russian Federation, CIS and foreign markets	TV, public display	n/a	-	disc manufacturer, wholesale broker (VS-Trade), logistics (Mirada, Realtetrade), etc.	n/a
20	Carmen Video (Carmen Film) (http://www.carmen-film.ru, http://www.drugoe-kino.ru)	-	2002	Classics of world cinema, modern art films, screen adaptations of classic literature	-	DVD, BD	Russian Federation	TV, Internet	n/a	-	Film distribution	n/a
21	Krupny Plan (http://www.close-up.ru)	-	1989	Soviet cinema	Film studios Mosfilm, Lenfilm, Soyuzmultfilm, Gosfilmofond federal film archive, the Russian Museum of Cinema	DVD	Russian Federation, Ukraine, Belarus, Kazakhstan, Baltic countries, USA, Germany	TV (rights to its own productions)	manufacturing plants Laser Video Multimedia, RepliMaster, DVD Club, and Disk PRO Plus	-	Distribution of TV and Internet content, film festival organization, TV content production, publishing of topical magazines	n/a
22	Laser Video (http://www.laservideo.ru)	-	2005	-	-	DVD, BD	Russian Federation	n/a	Laser Video Multimedia (proprietary manufacturing plant)	-	Digital restoration of recordings, content production, film colourization	30-40% of "film classics"
23	Luxor (http://www.luxorfilm.ru/distribution)	Luxor holding company	2008	-	-	DVD, BD	Russian Federation, CIS, Baltic countries	VoD, TV, public display	Laser Craft	-	disc manufacturer, wholesale broker (VS-Trade), logistics (Mirada, Realtetrade), retail chain (Hit Zone), etc.	n/a
24	Master Tape International (http://www.master-tape.ru)	-	1994	Old films, classics, animation	-	DVD	Russian Federation	TV	n/a	-	Film distribution, Luxor cinemas	n/a
25	Misteriya Zvuka (http://www.m-zvuka.ru)	-	2004	-	-	DVD, BD, CD, MP3	Russian Federation, CIS	n/a	n/a	-	Remastering, video editing, printing	n/a
26	Noviy Disk (http://www.nd.ru)	-	2009	-	Smeshariki, Nastroenie Video catalogue from 2009 onwards, N-Kino, (Kino Bez Granits)	DVD, BD, CD, MP3	Russian Federation, CIS, Baltic countries	-	n/a	Proprietary online store, regional representation (Engine, Noviy Disk – Ukraine)	music distribution	n/a
27	Paradise Video (http://www.paradise-vs.ru)	-	2007	-	-	DVD, BD	Russian Federation, CIS (Ukraine, Belarus, Kazakhstan, Kyrgyzstan, Uzbekistan, Georgia, Azerbaijan), Baltic countries	TV, public screenings	DVD Club manufacturing	-	Publishing and distribution of computer programmes and games	n/a

1	2	3	4	5	6	7	8	9	10	11	12	13
28	Pervaya Videokompaniya (http://www.1vk.ru)	Channel One Russia	1996	Domestic blockbusters and series, documentary films and television programmes, arthouse film, musical compilations	Channel One Russia	DVD	Russian Federation, CIS	Digital distribution (VoD)	n/a	Brand-name pavilions at the Gorbushka shopping centre in Moscow	-	7-10% (company-supplied data)
29	Reanimedia (http://www.reanimedia.ru)	-	2007	Anime	All rights holders and distributors of anime in Russia, the majority of rights holders for anime and manga in Japan	DVD, BD (collectible editions only)	The Russian Federation, currently in negotiations to release titles in Ukraine, Kazakhstan, and the Baltic countries	TV, public screenings	Laser Video Multimedia manufacturing plant	Proprietary online store http://www.store.otaku.ru	television broadcasting, production of media content	n/a
30	Russkiy Reportazh (http://www.rusreport.com)	-	2009	-	-	DVD	Russian Federation, CIS	TV, public screenings	n/a	-	Translation studio, dubbing, mastering; organization and support of anime festivals	25% of anime
31	Russkoe Schast'e Home Video (http://www.rsvideo.ru)	Russkoe Schast'e Distribution	2005	Series, films, documentary films	Company A-media, Star Media, Lean-M, Cinebridge, and TV stations STS and NTV	DVD	Russian Federation, CIS	TV, Internet	RepliMaster manufacturing	-	Cinema distribution, TV distribution	n/a
32	Seipris (http://www.seipris.ru)	-	1990s	Children's and educational video programming , films, animation	-	DVD	Russian Federation, CIS	TV, Internet, other broadcast media	n/a	Proprietary online store	-	n/a
33	Cinema Prestige (http://www.cinemaprestige.ru)	-	2005	Old films, classics (boxed sets of directors, actors, and various themes)	-	DVD	Russian Federation, CIS, Baltic countries	TV	n/a	Prestige Media Group trading firm (product promotions)	-	n/a
34	Soyuz Video (http://www.soyuzvideo.ru)	Soyuz group	1996	-	BBC "BBC Worldwide", STV film company studios, Soyuzmultfilm, Krupny Plan, Slovo, and others	DVD, BD	Russian Federation, CIS	VoD, TV, public screenings, Internet	n/a	Soyuz retail chain	music production, retail of audiovisual content and associated merchandise (retail chain)	n/a
35	Monolit trade firm (http://www.monolit-tk.ru)	Monolit	2002	-	-	DVD, BD, CD, MP3	Russian Federation	-	n/a	all retail chains	Music production, music recording studio	n/a
36	Flagman Trade (http://www.flagman-trade.ru)	-	2009	-	-	DVD, BD, CD	Russian Federation, CIS	-	n/a	-	-	n/a
37	XL Media (http://www.xlm.ru)	-	2005	Anime	-	DVD	Russian Federation	TV	n/a	Proprietary online store	Organizing anime festivals	n/a

Source data from video distributors, free publications (Internet)

2.6.2 Factory production of video discs

There are Russian firms that produce CDs, DVDs, and BDs. Two Russian plants have Blu-Ray production lines — DVD Club and Laser Video Multimedia.

Several plants are owned by distribution companies. For example, DVD Club belongs to VideoService, while Disk PRO Plus is owned by CP Digital. However, the majority of Russian manufacturing plants are independent.

Russian firms with licenses to produce video products are listed in a dedicated register on the Roskomnadzor website.

Table 31. List of licensed manufacturers of DVDs and BDs in Russia

Ranking by number of DVD lines	Company	Website	Year of market launch	Property of publisher	License number	Type of production	Number of DVD production lines
1	PITLEND	n/a	2007	independent	77-258	CD, DVD	9
2	DVD Club	http://www.cdline.ru	2004	VideoService	77-178	CD, DVD, BD	7
3	Mediatrade	n/a	2007	independent	77-60	CD, DVD	6
4	Laser Craft	http://www.disc.ru	1992 (began printing DVDs in 2004)	independent	77-15	CD, DVD	6
5	Laser Video Multimedia	http://www.laservideo.ru	2005	Laser Video	77-233	CD, DVD, BD	5
6	MediaSystems	n/a	2005		77-230	DVD	5
7	Disc PRO Plus	http://www.diskpro.ru	2005	CP Digital	77-292	CD, DVD	4
8	Euro Style	n/a	2003	independent	77-158	CD, DVD	4
9	Litsenzionnye nositeli (Linos)	http://www.linos.ru	2006	independent	77-238	CD, DVD	4
10	Master-M	n/a	2006	independent	77-241	CD, DVD	4
11	RepliMaster	http://www.replimaster.ru	2002	independent	77-41	CD, DVD	4
12	Markon	http://www.markonmedia.com	2003	independent	77-103	CD, DVD	3
13	DEIMOS	n/a	2006	independent	77-240	CD, DVD	2
14	Oscar	n/a	2009	independent	77-313	DVD	2
15	Techno-Vector	n/a	2007		77-284	DVD	2
16	Fortmedia	http://www.fortmedia.ru	2005	independent	77-225	CD, DVD	2
17	Butkor		2009	independent	77-311	DVD	1
18	Media Records	http://www.mediarecords.ru	2009	independent	77-315	DVD	1
19	Mediastor	http://www.videogram.ru	2007	Videogram	77-276	DVD	1
20	Euro Optical Disc Production Assn.	http://www.eod.ru	2004	independent	77-303	CD, DVD	1
21	Rentaprom	n/a	2006	independent	77-242	DVD	1
22	Sonopress	http://www.arvatodigitalservices.com	2006	independent	77-239	CD, DVD	1

Ranking by number of DVD lines	Company	Website	Year of market launch	Property of publisher	License number	Type of production	Number of DVD production lines
23	Favorit trade firm	n/a	2002	independent	77-34	DVD	1
24	Arena	http://www.arena-video.ru	2008	Arena Video	77-289	DVD	n/a
25	CD MAX Plus	http://www.cdmax.ru	2002	independent	77-328	CD, DVD	n/a

Source: Registry of licences for the reproduction of audiovisual works, data from video distributors, free publications (Internet)

2.6.3 Sales networks for video media

Russia now boasts a solid sales network for licensed DVD and Blu-Ray discs. This network includes stores that specialize in audiovisual products as well as technology retail outlets, grocery stores, computer stores, bookstore chains, as well as independent retailers, video publisher stores and Internet warehouses.

2.6.3.1 Wholesale brokers

The Russian audiovisual market also has several wholesale brokers. These companies buy up wholesale lots of video products from distributors and then sell them in retail outlets.

Table 32. List of key wholesale brokers on the Russian video market

Ranking	Title	Website	Publishing chain	Year of video market launch	Network coverage	Geography of stores
1	VS Trade	http://www.spdvd.ru	VideoService	2002	Russia (Northwest Federal District, Volga Federal District, Southern Federal District, Siberian Federal District, Central Federal District)	- "cash and carry" warehouses - chain of retail representatives (St. Petersburg, Voronezh, Saratov, Nizhny Novgorod, Kazan, Naberezhnye Chelny, Volgograd, Astrakhan, Yekaterinburg, Tyumen, Perm, Samara, Ufa, Orenburg, Tolyatti, Rostov on Don, Krasnoyarsk, Novosibirsk, Kemerovo, Omsk, Krasnodar, Ryazan, Bryansk, Yaroslavl, Stavropol, Tula, Kaluga, Ivanovo, Tambov, Kirov, Tver) in 32 Russian cities; - serves more than 1500 retail partners, including METRO (52), Real (15), Giperglobus (5), Lenta (36), O'kei (45)

Ranking	Title	Website	Publishing chain	Year of video market launch	Network coverage	Geography of stores
2	Engine	http://www.engine.ru	Noviy Disk	1999	Russia (Central Federal District, Southern Federal District, Volga Federal District, Siberian Federal District)	- 8 cash and carry warehouses; - more than 1,000 retail partners throughout the country; - main retail offices in Rostov on Don, Volgograd, Krasnodar, Voronezh, Nizhny Novgorod, Samara, Yekaterinburg, Novosibirsk, Irkutsk
3	Global Video	http://www.globalvideo.ru	independent	n/a	Russia (n/a)	n/a
4	GTI media	http://www.gtimedia.ru	independent	n/a	Russia, CIS (n/a)	n/a

Source: Company data, open source publications (Internet)

2.6.3.2 Chain stores

More often than not, a video distributor's success depends on how well-developed a network it has with retail chains that sell video products. There are more than 40 retail chains in Russia today that sell video content, not including the independent retail outlets and stores at film studios and video publishers.

Video retail outlets by number of companies in Russia (by category)

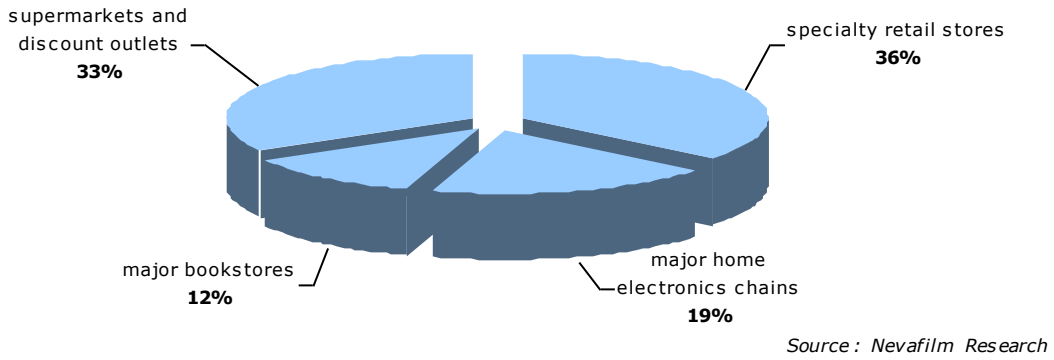

Figure 64. Video retail outlets by number of companies in Russia (by category)

More than twenty retail chains (36% of retail stores on the video market) specialize in the distribution of audiovisual products; the largest of these are Soyuz, 1C-Interes, Hit Zone, and Nastroenie.

Table 33. List of key retail chains specializing in audiovisual content

Ranking by number of stores	Title	Website	Publishing chain	Year of debut on the video market	Network coverage*[119]	Store locations	Total number of stores	Internet sales
1	Soyuz	http://www.soyuz.ru	Soyuz group	1996	Russia (Central Federal District, Northwest Federal District, Ufa Federal District, Volga Federal District)	Moscow (25), Moscow region (3), St. Petersburg (8), Nizhny Novgorod (4), Yekaterinburg (2), Samara (2), Voronezh, Kazan, Naberezhnye Chelny, Togliatti, Ulyanovsk, Ufa, Chelyabinsk	50	Online store
2	Nastroenie	http://www.nastroyenie.ru	independent	2005	Russia (Central Federal District)	Moscow and Moscow region (50)	50	-
3	1C-Interes	http://www.1c-interes.ru	independent	2004	Russia (Southern Federal District, Central Federal District, Volga Federal District, Siberian Federal District, Northwest Federal District, Ufa Federal District, Far Eastern Federal District), Kazakhstan	38 stores in 24 Russian cities (Volzhsky, Voronezh, Kazan, Kaluga, Krasnodar, Krasnoyarsk, Kurgan, Kursk, Moscow, Moscow region, Novosibirsk, Omsk, Rostov on Don, Samara, St. Petersburg, Sterlitamak, Tyumen, Ufa, Yakutsk, Yaroslavl), and 4 stores in Kazakhstan (Almaty)	42	Online store
4	Hitzona	http://www.hitzona.ru	VideoService	1999	Russia (Central Federal District, Northwest Federal District, Volga Federal District, Ufa Federal District)	Moscow (16) and Moscow region (5), St. Petersburg (3), Krasnoyarsk (2), Voronezh, Volgograd, Chelyabinsk, Yekaterinburg, Kazan, Perm, Magnitogorsk	30	-
5	Delikatesi Stereo	http://www.dstereo.ru	independent	2002	Russia (Central Federal District)	20 stores, 18 in the supermarket chain Azbuka Vkusa, Moscow	20	Online store

[119] Federal Districts of Russia: Central, Northwestern, Volga, Southern, North Caucasus, Ural, Siberian, Far-Eastern.

Ranking by number of stores	Title	Website	Publishing chain	Year of debut on the video market	Network coverage*[119]	Store locations	Total number of stores	Internet sales
6	Meloman	http://www.nastroyenie.ru	independent	1996	Russia (Central Federal District, Siberian Federal District)	Moscow (6), Barnaul, Berdsk, Iskitim	9	-
7	Purpurnyi Legion	http://www.plegion.ru	independent	n/a	Russia (Central Federal District, Northwest Federal District)	Moscow and Moscow region (5), St. Petersburg (1)	6	Online store
8	Sezon Multimedia	http://www.sezonkino.ru/videorecords	independent	n/a	Russia (Central Federal District)	Moscow (2)	2	-
9	CD-Land	http://www.cdland.ru	CD Land	1997	Russia (Central Federal District, Far Eastern Federal District, Volga Federal District, Ufa Federal District)	retail chain in large Russian cities (Moscow, Perm, Vladivostok, Khabarovsk, Tyumen)	n/a	-

Source: Company data, open source publications (Internet)

Many supermarkets have video sections. Such outlets account for 33% of the market by number of companies. There are similar departments in almost all home electronics chains, including mobile phone outlets (these players make up about 20% of the retail chain video market).

Table 34. List of the largest supermarket chains selling audiovisual content

Ranking by number of stores	Title	Website	Type	Network coverage	Total number of stores	Geography of stores
1	Pyatyorochka	http://www.e5.ru	discount outlet	Russia (Central Federal District, Volga Federal District, Siberian Federal District, Northwest Federal District, Southern Federal District)	1000	Moscow and Moscow region, Ryazan, Yaroslavl, Tula, Vladimir, Kaluga, St. Petersburg, Yekaterinburg, Chelyabinsk, Nizhni Novgorod, Samara, Lipetsk, Kazan, Perm, Kostroma, Rostov-on-Don, Tver, Krasnodar, Velikiy Novgorod, Pskov
2	Kopeyka	http://www.kopeyka.ru	discount outlet	Russia (Central Federal District, Northwest Federal District, Volga Federal District, Southern Federal District, Siberian Federal District)	624	196 cities, 25 regions of Russia

Ranking by number of stores	Title	Website	Type	Network coverage	Total number of stores	Geography of stores
3	Dixy	http://www.dixy.ru	discount outlet	Russia (Central Federal District, Northwest Federal District, Ufa Federal District)	500	Moscow, Moscow region, Ryazan, Yaroslavl, Kostroma, Kaluga, Smolensk, St. Petersburg, Leningradskaya region, Moscow, Pskov, Velikiy Novgorod, Yekaterinburg, Tyumen, Chelyabinsk
4	Perekrestok	http://www.perekrestok.ru	major supermarket	Russia (Central Federal District, Northwest Federal District, Volga Federal District, Southern Federal District, Ufa Federal District), Ukraine	211	Moscow, Moscow region, Ryazan, Yaroslavl, St. Petersburg, Leningradskaya region, Samara, Togliatti, Penza, Novokuibyshevsk, Saratov, Ulyanovsk, Yekaterinburg, Voronezh, Kursk, Lipetsk, Rostov-on-Don, Krasnodar, Novorossiysk, Novocherkassk, Sochi, Kazan, Naberezhnye Chelny, Almetevsk, Volzhsk, Ufa, Nizhny Novgorod, Arzamas, Bor, Vyksa, Dzerzhinsk, Yoshkar-Ola, Cheboksary, Tyumen, Chelyabinsk, Ukraine (Kiev, Brovary, Vyshgorod)
5	Seventh Continent	http://www.7cont.ru	major supermarket	Russia (Central Federal District, Northwest Federal District, Ufa Federal District), Belorussia	150	Moscow and Moscow region (122), Kaliningrad (10), Perm, Yaroslavl, Belarus (2), St. Petersburg, Ryazan, Chelyabinsk, and so on.
6	Karusel	http://www.karusel.ru	major supermarket	Russia (Central Federal District, Northwest Federal District, Ufa Federal District, Volga Federal District, Southern Federal District)	60	St. Petersburg (17), Moscow (11), Nizhny Novgorod, Samara (4), Volgograd (3), Yaroslavl, Yekaterinburg, Lipetsk(2), Stary Oskol, Belgorod, Voronezh, Sochi, Rostov-on-Don, Saratov, Volzhsky, Ufa, Tyumen, Naberezhnye Chelny, Izhevsk, Cheboksary, Dzerzhinsk, Tver
7	O'kei	http://www.okmarket.ru	major supermarket	Russia (Northwest Federal District, Southern Federal District, Central Federal District, Ufa Federal District, Siberian Federal District)	53	Northwestern, Southern, Central, Ural и Siberian Federal Districts
8	Metro	http://www.metro-cc.ru	major supermarket	Russia (Central Federal District, Ufa Federal District, Volga Federal District, Siberian Federal District)	52	36 regions: Moscow and Moscow region (50), St. Petersburg (3), Nizhny Novgorod, Yekaterinburg, Rostov-on-Don, Novosibirsk (2), Samara, Volgograd, Kazan, Ufa, Yaroslavl, Tyumen, Tula, Voronezh, Saratov, Stavropol, Novosibirsk, Krasnoyarsk, Omsk, and so on.
9	Familia	http://www.famil.ru	major supermarket	Russia (Central Federal District, Northwest Federal District)	47	Moscow and Moscow region, St. Petersburg

Ranking by number of stores	Title	Website	Type	Network coverage	Total number of stores	Geography of stores
10	Lenta	http://www.lenta.com	major supermarket	Russia (Northwest Federal District, Siberian Federal District, Central Federal District, Volga Federal District, Southern Federal District)	40	St. Petersburg (14), Novosibirsk (4), Krasnodar (2), Nizhny Novgorod (2), Novorossiysk (2), Omsk (2), Astrakhan, Barnaul, Veliky Novgorod, Volgograd, Naberezhnye Chelny, Penza, Petrozavodsk, Ryazan, Saratov, Togliatti, Tyumen, Cherepovets
11	Auchan	http://www.auchan.ru	major supermarket	Russia (Central Federal District, Northwest Federal District, Southern Federal District, Siberian Federal District, Volga Federal District, Ufa Federal District)	32	Moscow (16), St. Petersburg (5), Yekaterinburg (2), Krasnodar (2), Novosibirsk (2), Rostov-on-Don (2), Nizhny Novgorod, Omsk, Samara,
12	Real	n/a	major supermarket	Russia (Central Federal District, Northwest Federal District, Ufa Federal District, Volga Federal District)	15	Moscow (3), St. Petersburg (2), Volgograd, Ivanovo, Kazan, Lipetsk, Nizhny Novgorod, Rostov-on-Don, Saratov, Tambov, Togliatti, Yaroslavl

Source: Company data, free publications (Internet)

Table 35. List of the largest home electronics hypermarket chains selling audiovisual content

Ranking by number of stores	Name	Website	Publishing chain	Year of debut on the video market	Network coverage	Store locations	Total number of stores	Internet sales
1	Eldorado	http://www.eldorado.ru	independent	1994	Russia (Central Federal District, Northwest Federal District, Volga Federal District, Ufa Federal District)	Moscow (28), St. Petersburg (17), Novosibirsk (11), Nizhny Novgorod (9), Samara, Kazan, Yekaterinburg (5). Remaining cities had one or two stores each.	700	Online store
2	Svyaznoy	http://www.svyaznoy.ru	independent	2004	Russia (Central Federal District, Northwest Federal District, Ufa Federal District, Siberian Federal District, Volga Federal District, Eastern Federal District, Southern Federal District)	Moscow (265), St. Petersburg (112), Yekaterinburg (34), Chelyabinsk (33), Kazan, Nizhny Novgorod (29), Rostov-on-Don, Ufa (27), Perm (26), Krasnodar (23), Voronezh, Saratov (21), Novosibirsk, Volgograd (20), Samara (19), Khabarovsk (17), Ulyanovsk, Omsk, Tyumen, Mytishchi (16)	766	Online store

Ranking by number of stores	Name	Website	Publishing chain	Year of debut on the video market	Network coverage	Store locations	Total number of stores	Internet sales
3	Belyi Veter Tsifrovoi	http://www.digital.ru	independent	1991	Russia (Central Federal District, Northwest Federal District, Volga Federal District, Siberian Federal District, Ufa Federal District)	Moscow, Moscow region, St. Petersburg, Republic of Tatarstan, Novosibirsk region, Yaroslavl region, Penzenskaya region, Kaluzhskaya region, Samarskaya region, Nizhegorodskaya region, Omskaya region, Rostovskaya region, Kurganskaya region, Sverdlovskaya region, Chelyabinsk region, Orenburg region, Vologorodskaya region, Republic of Adygea	100	Online store
4	M-Video	http://www.spb.mvideo.ru	independent	1993	Russia (Central Federal District, Northwest Federal District, Volga Federal District, Ufa Federal District, Southern Federal District, Siberian Federal District, North Caucuses Federal District)	71 Russian cities	177	Online store
5	Technosila	http://www.tehnosila.ru	independent	2004	Russia (Central Federal District, Northwest Federal District, Volga Federal District, Southern Federal District, Siberian Federal District)	66 Russian cities	124	-
6	Prosto	http://www.prosto.ru	independent (until 2006 – Alternativa Sinitsi)	2006	Russia (Northwest Federal District)	St. Petersburg, Leningradskaya region, Pskov	10	Online store
7	Ulmart	http://www.ulmart.ru	independent	2007	Russia (Central Federal District, Northwest Federal District)	Moscow and Moscow region, St. Petersburg region, Tver	7	Online store
8	Euroset	http://www.euroset.ru	independent	sales of video formats since 2003	Russia (Far Eastern Federal District, Central Federal District, Northwest Federal District, Southern Federal District, Siberian Federal District, Volga Federal District, Ufa Federal District), Ukraine, Belarus	Moscow, Blagoveshchensk, Vladivostok, Vladimir, Volgograd, Voronezh, Yekaterinburg, Kazan, Kiev, Krasnodar, Krasnoyarsk, Kursk, Lipetsk, Minsk, Murmansk, Nizhny Novgorod, Novosibirsk, Omsk, Orel, Perm, Rostov-on-Don, Samara, St. Petersburg, Sochi, Tver, Tyumen, Ufa, Khabarovsk, Chelyabinsk, Yaroslavl	n/a	Online store

Source: Company data, open source publications (Internet)

DVD and Blu-Ray discs may be purchased in the largest bookstore chains as well, which account for 12% of retail chains

Table 36. List of largest bookstore chains

Ranking by number of stores	Name	Website	Coverage	Stores	Total number of stores	Internet sales
1	Bookvoed	http://www.bookvoed.ru	Russia (Northwest Federal District)	St. Petersburg (37), Leningradskaya region (3), Vologda (2), Cherepovets (2), Pskov, Veliky Novgorod, Arkhangelsk	47	Online store
2	Moscow House of Books	http://www.mdk-arbat.ru	Russia (Central Federal District)	Moscow	40	Online store
3	Respublica	http://www.respublica.ru	Russia (Central Federal District)	Moscow	12	Online store
4	Bookbuster	http://www.bookbuster.ru	Russia (Central Federal District)	Moscow	9	-
5	Biblio-Globus	http://www.biblio-globus.ru	Russia (Central Federal District)	Moscow	2	Online store

Source: Company data, open-source publications (Internet)

2.6.3.3 Brand-name outlets for video distributors and rights holders

Some video distributors sell their products not only through retail brokers and stores, but also in proprietary brand-name outlets,.

Table 37. List of brand-name stores for Russian video distributors and rights holders

Ranking by number of stores	Title	Website	Publishing chain	Coverage	Geography of stores	Total number of stores	Internet sales
1	Noviy Disk	http://www.nd.ru/users/shops	Noviy Disk	Russia (Central Federal District)	Moscow	2	-
2	Pervaya Videokompaniya	http://www.1vk.ru/ru/main/infopage/2/	Pervaya Videokompaniya	Russia (Central Federal District)	Moscow	2	-
3	MC Entertainment	http://www.mc-ent.ru/shops.html	MC Entertainment	Russia (Central Federal District)	Moscow	1	Anime Guide's online store
4	Lenfilm Studios	http://www.lenfilm-video.com	Lenfilm video	Russia (Northwest Federal District)	St. Petersburg	1	Online store

Source: Company data, free publications (Internet)

2.6.3.4 The Internet

Internet retail has developed quite rapidly. The largest market player in this sector is the online store http://www.ozon.ru, which sells items not only though its own site, but also with the help of advertising partners like (http://www.videosalon.net, http://www.era-hd.ru and others). Discs can be purchased in other (less well-known) online stores (like http://www.GoldDisk.ru), and also on the websites for the largest specialty retail chains (Soyuz, 1C-Interes, Pupurnyi Legion), home electronics stores (Eldorado, Svyaznoy, Ulmart) and on several video distributors' own sites. The largest Internet retailers worldwide (like http://www.amazon.com) are also on the Russian market.

Table 38. List of the largest Russian online stores selling audiovisual content

Ranking	Title	Website	Online store of video publisher or dealer	Specialism	Geography of delivery
1	Blu Store	http://www.blustore.ru	independent	Blu-Ray	Russia
2	DVD.net	http://www.dvdnet.ru	independent	-	Russia, international
3	GoldDisk.ru	http://www.golddisk.ru	independent	-	Russia
4	inoekino.ru	http://www.inoekino.ru	independent	cinema classics, art-house and non-commercial movies on DVD	Russia
5	Ozon.ru	http://www.ozon.ru	independent	-	Russia, international
6	YouChoise	http://www.youchoise.ru	independent	-	Russia
7	Anime Guide	http://www.aniguide.ru	MC Entertainment	anime	Russia
8	Video Salon	http://www.videosalon.net	Ozon.ru broker	-	Russia, international
9	Kniga.ru	http://www.kniga.ru/dvd	independent	bookstore	Russia, international
10	Labirint	http://www.labirint.ru	independent	bookstore	Russia, international
11	Retro-Hit	http://www.retro-hit.ru	independent	retro or vintage movies	Russia
12	Era HD	http://www.era-hd.ru	Ozon.ru broker	Blu-Ray	Russia, international

Source: Company data, free publications (Internet)

2.7 Trends and predictions for the development of the Russian video market

As of 2010 around 82 million people in Russia have DVD players, while 600 thousand have Blu-Ray players. Demand for video equipment continues to grow, particularly for Blu-Ray compatible equipment. Growing sales of HD televisions and gaming consoles with Blu-Ray capability are also fuelling the growth of the home video market. Not only that, but as of spring 2010, Russia had a new market – home video in 3D.

The Russian video market has always had a clear preference for feature films. Products from the North American countries lead the market, accounting for 47% of releases. European and Russian content take second and third place in terms of overall quantities of video releases, accounting for 28% and 16%, respectively. At the same time, films made in Asia and other regions of the world continue to be poorly represented on the Russian market, accounting for just 9%, although their share continues to grow.

Currently, the majority of Russian video distributors primarily release items from their catalogues. Not only that, but more than 30% of video releases are for non-theatrical films. This includes documentary films, TV and animated series, TV broadcasts, musical programs, and so on. The large share that such releases hold is testament to the maturity of the market and the variety of products available. The share of non-theatrical releases continues to increase both on DVD and on Blu-Ray, although the latter format continues to be dominated by popular theatrical releases. Popular new releases are often released on video

7-10 weeks after their premiere in Russian cinemas. This window of time is shrinking, as is the time difference between DVD and Blu-Ray publication. A fairly common practice is to release a film simultaneously on Blu Ray and DVD. Of growing interest are "combo-releases" where one disc format is offered with the other as a bonus. Such releases help stimulate demand and increase the competitiveness of various formats. Meanwhile, large-scale advertising campaigns for video releases are not common practice in Russia. More popular are price-based sales and other sales conducted by video distributors in separate stores and retail outlets.

The volume of DVD sales in 2010 continued to grow, recovering from its collapse during the economic crisis; the number of DVDs sold reached 80 million by the end of 2010, much higher than the 68.3 million discs predicted by analysts at Screen Digest. Blu-Ray sales have grown steadily for all three years since their debut on the Russian market. According to predictions by *Screen Digest*, by the end of 2010 1.52 million Blu-Ray discs will have been sold, bringing profits of more than RUB 1,770 million.

The overall trend for modern pricing policies on the Russian licensed video market is a decline, with the goal of increasing the competitiveness of licensed video products over pirated goods and tangible formats over digital ones. However, in the near future, this tendency may be disrupted by the enactment of the government's resolution "About payment for the free reproduction of audiovisual works for personal use", which may lead to a 1-2% increase in the cost of video technology and discs.

The modern Russian market for licensed video has about 30 video distributors, including representatives of both Hollywood and independent publishers. As a result, there are a few ways that video content is distributed in Russia: films from major Hollywood studios are distributed via exclusive representatives. The rights for other content are bought up by independent video distributors. Some companies even sell the rights to video distribution through brokers (with sublicensing).

In addition, Russia boasts a robust video retail network. Licensed discs can be purchased in practically any large store, including specialty stores but also in grocery stores and bookstores, or even from the comfort of one's home, via the Internet.

3. DIGITAL STREAMING DISTRIBUTION

3.1 Market structure for streaming digital distribution

Streaming digital distribution refers not only to Internet-based streaming, but also to the sale of rights for all forms of public or private film screenings that are not available in a physical, tangible format for consumer purchase or manufacturer's sale, nor long-term storage in a warehouse or a user's collection. In our analysis, these markets include:

- terrestrial television;
- satellite and cable television;
- Internet broadcasting (streaming);
- pay on demand video services (via cable, satellite, Internet, mobile devices, etc.).

The overall structure of this market in Russia can be summed up in the following diagram:

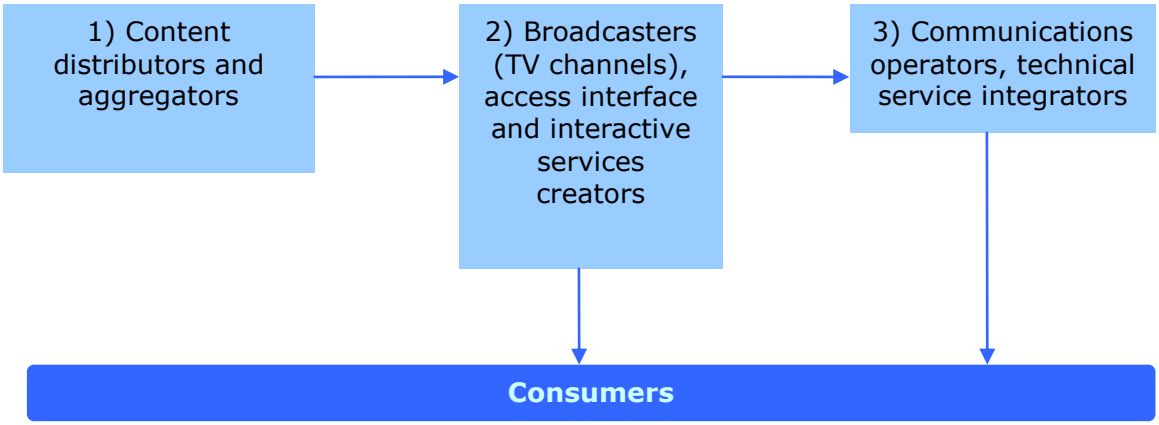

Figure 65. Market structure for streaming digital distribution

The market therefore has a three-tier structure:

Tier 1: **distributors** (representatives of the producers of audiovisual works in several markets) and **content aggregators** (intermediaries that help producers and distributors of audiovisual works reach broadcasters in a specific market or territory)

Tier 2: **TV channels/broadcasters and creators of interfaces enabling access to content** (the key area of interaction between suppliers and consumers of audiovisual products). These organizations buy content from distributors and aggregators and deliver it directly to consumers via broadcast channels and interfaces on cable and satellite networks, or the Internet. Content access interface creators are often also the operators of communications services, particularly in formats other than traditional terrestrial television broadcast (satellite, cable, and Internet providers), the Internet, and mobile carriers.

Tier 3: **communications operators and communications services integrators** (the technical collaboration platform between content suppliers and viewers, the infrastructure for the development of the market for intangible content distribution).

Cooperation among companies from all three tiers occurs in direct negotiations and deal brokering, as well as at industry events. The central event in Russia is the Moscow TeleShow International Broadcast Content Market[120], which takes place in spring and autumn at the International Exhibition Centre in Moscow. According to information about the market in the spring of 2010, the roster of participants has swelled to over 430 companies representing 17 countries.

[120] http://teleshow.ru – the Moscow TeleShow dates back to 1996, when the first Russian Teleshow was organized. In the summer of 2005 it was decided to widen the range of formats available on the market, and as a result the TeleShow project was renamed the Moscow TeleShow. Market participants include production centres, TV channels, domestic and foreign television networks and studios, distribution companies, producers of TV and video products, licensing companies and copyright services, as well as the media.

3.2 Legal aspects of streaming distribution in Russia[121]

3.2.1 Regulatory agencies in the video distribution sector

The audiovisual streaming broadcast distribution sector in Russia is under the jurisdiction of several governmental organizations:

- The Ministry of Communications and Mass Media[122], including the following sub-units:
  - Roskomnadzor (Federal Supervision Agency for Information Technologies and Communications[123]), TV broadcast which supervises the enforcement of media legislation, the issue of licenses (terrestrial, cable, and satellite); and the maintenance of a register of licenses for television and radio broadcasting activities[124] as well as a list of registered mass media outlets[125];
  - Rospechat (the Federal Agency on Press and Mass Communications of the Russian Federation[126]), which manages state media outlets (VGTRK, RIA Novosti), state technology resources (Ostankino TV centre and the Russian TV and Radio Broadcasting Network);
  - Central Radio Frequency Centre of Russia (State Radio Frequency Commission), which oversees the issuing of licenses for the use of broadcasting frequencies[127];
- The Russian Federation Ministry of Culture[128] and its various departments:
  - The Department of Cinematography;
  - The National Film Registry.[129]

3.2.2 Key legal statutes

The core laws governing streaming broadcast distribution are:

- part IV of the Civil Code of the Russian Federation[130], which sets forth the basis for copyright laws and *regulates the relationships between those holding rights to audiovisual works and their users*;

- the Russian Federation Law №2124-1 "On the mass media, of 27 December 1991, which sets out the legal framework for the seeking, acquisition, production and distribution of media; media institutions and their ownership and use; the preparation, acquisition, storage, and use of the technical facilities, equipment, and raw materials used in the production and dissemination of media content (including print, audio, and audiovisual content intended for unrestricted use by the general public). *In the context of this research, this law regulates the activities of TV channels as mass media communications entities;*

- federal Law №126-F3, "On communications", of 07 July 2003, which sets forth a basic legal framework for communications in the Russian Federation and defines the authority of governmental organizations in the communications sector, as well as the rights and requirements of broadcasters or those using their services. *In the context of this research, this law regulates the behaviour of communications operators and technical services integrators;*

- the special federal programme for the "The development of television and radio broadcasting in the Russian Federation for 2009-2015"[131] – *defines the plan for the transition to digital broadcasting by 2015;*

- federal law №149-F3, "On information, information technology, and the protection of information", of 27 July 2006, which regulates interactions related to the provision of rights of entitlement, acquisition, broadcast, production and the distribution of information; the use of information technology; and guarantees for the protection of information. However,

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[121] See also *The Regulatory Framework for Audiovisual Media Services in Russia*, by Andrey Richter / / IRIS Special, European Audiovisual Observatory, Strasbourg 2010.
[122] http://www.minsvyaz.ru
[123] http://www.rsoc.ru/about/p221
[124] http://www.rsoc.ru/mass-communications/reestr/teleradio
[125] http://www.rsoc.ru/mass-communications/reestr/media
[126] http://www.fapmc.ru/about/lwr/unitar
[127] http://www.grfc.ru/grfc/norm_doc/index.htm
[128] http://mkrf.ru/ministry/struktura
[129] Roskomnadzor public report, 2009
[130] Ratified by Federal law №230-F3 of 18 December 2006.
[131] As established by the Russian Federation's governmental decree №1349-r, signed on 21 September 2009.

this law does not cover relations arising regarding the legal safeguards for intellectual property, which are regulated by the Civil Code. It is expected that by the end of 2010, this law (as well as a number of other legal statutes) will be modified to regulate the Internet, following the decision, in the spring of 2010, not to develop a law specifically to regulate the Internet in Russia[132];

- federal law №38-F3 of 13 March 2006, "On advertising", which regulates relations *in the advertising sector* regardless of where it is produced, as long as the advertisement is being distributed in the Russian Federation.

3.2.3 Basic legal framework, rights, and restrictions

1) The Russian legal system requires the *licensing of TV and radio broadcast activity* (that uses any technological means: terrestrial or cable television and radio broadcasting[133]). The country's licensing system for broadcast stations has a two-tiered structure[134]: the applicant submits an application to receive a broadcast license, by presenting a set of documents explaining the station's concept. In the majority of cases, once Roskomnadzor has approved such an application, the company automatically receives a license to use a specific broadcast frequency defined by the Government Commission for Radio Frequencies. Broadcast licenses are granted for a defined period of time, but can be cancelled early if substantial changes are made to the TV channel's concept or to other aspects of the licence's conditions (in order to avoid this, the owner of the media is required to inform the registering organ in writing of any changes made to the channel's concept within a month). In addition, licensing is specific to a given territory, which means that a single channel, be it terrestrial, cable, or satellite, can possess several licenses at once, for different territories (incidentally, this fact complicates any efforts to establish an overall survey of the number of broadcast channels in the country that would use the number of active licenses as a basis).
2) This law governing the media also establishes *limits for foreign legal*[135] *and physical*[136] *entities setting up TV channels* where reliable reception covers half or more of the population of the Russian Federation. This means that foreign TV channels generally only broadcast in Russia via non-terrestrial transmission. This includes the Disney channel, which recently made its debut on the Russian market. In 2010 Roskomnadzor bolstered control over foreign TV channels broadcasting in Russia, requiring channels to acquire a separate license by 01 March (although the Russian laws governing the mass media and communications do not include any such requirement, nor is there any such practice in international law) and even began switching off television channels that failed to fulfil this requirement by the deadline.[137]
3) An important role in the development of streaming broadcast distribution in Russia is played by the "Concept for the transition to digital television and radio broadcasting", which states that *all terrestrial TV channels in Russia should be broadcasting in digital formats by 2015*. The transition plan includes the following elements: the modernization of the infrastructure for state broadcast networks and their conversion to digital technology; the expansion of satellite resources; nationwide regional digital broadcasting coverage; the development of radio broadcast networks; the development of new types of television broadcast, including high definition television, mobile TV, and TV with interactive elements. The programme includes plans to organize broadcasts from three digital multiplexes to all centres of population that currently have

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[132] Анастасия Голицына. «Интернет без закона.» «*Ведомости*», №75 (2593), 27.04.2010 г. [Anastasia Golitsyna. The Lawless Internet. *Vedomosti*, № 75 (2593), 27 April 2010]

[133] Article 1270 of Part IV of the Civil Code defines terrestrial television broadcast as the transmission of any uncoded information for public view, including broadcast using satellite. Information transmitted by cable includes information for television distributed for public view via cable, wire, fibre optics, or other similar methods.

[134] The rules for acquiring licenses are set out in Law № 2124-1, "On the media", of 27 December 1991.

[135] Those with more than 50% of start up capital coming from foreign sources.

[136] With or without foreign or dual citizenship.

[137] Ася Мелькумова. «Роскомнадзор может отключить Discovery, BBC, CNN и National Geographic». http://www.marker.ru, 01.03.2010 г. [Asya Melkumova. "Roskomnadzor Might Switch off Discovery, BBC, CNN and National Geographic" http://www.marker.ru, 01 March 2010].

terrestrial television capabilities[138], including 20-24 free TV channels. Cities and larger population centres will also have up to three HD TV channels and as many as 10 TV channels designed for mobile reception. It has been suggested that the first multiplex might be sponsored by government funding and will go into operation in 2014; the second and third multiplexes will start a year later, and their funding should come from the TV channels themselves. According to Presidential decree №715, of 24 June 2009, "On obligatory freely accessible Russia-wide TV and radio channels", the first multiplex includes Channel One, Russia 1, Russia 2 (formerly the Sport TV channel), Russia 24, Russia K (formerly the Culture TV channel), NTV, Channel Five, and a children's channel Carousel (based on TV channels Bibigon and TV Nanny).[139] In Russia there are currently only enough spare frequency slots to transfer 16 TV channels over to digital broadcasting.[140] From December 2007 to December 2009 the government's Commission on Radio broadcasting issued a moratorium on the granting of frequency rights for analogue broadcasting. The moratorium was lifted after a plan was developed for the assignment of frequencies for the first and second digital television broadcast multiplexes.[141]

4) At present, the World Wide Web is not included in the list of media, and *activities related to broadcast and sale via the Internet do not require licenses.* In October 2010, a working group from the Ministry of Communications (Minkomsvyaz') is slated to develop a set of amendments to various legal statutes for the regulation of this sector. The main changes will affect the following areas: the protection of citizens' rights to access information via the Internet (only authorized government organs can disallow such access); the regulation of the requirements for the registration of domain names; the protection of official governmental websites and web pages that contain financial information from forgery; the demarcation of providers' responsibilities regarding information posted by users.[142] This last point has recently become more relevant, as many contradictory court rulings related to sites containing unlicensed content lead *Internet companies* on 14 October 2010 to sign a collective letter to lawmakers asking them not to bring them into court over users posting illegal content on their Internet platforms (the companies are willing to cooperate with rights holders, but insist that all claims be addressed to the users responsible for the posting of any illegal content). Signing the document, the general directors from Google Russia, Mail.ru, Vkontakte, Yandex, and Rambler, urged Russian legislative bodies to redefine copyright infringement on the Internet as soon as possible by placing liability for any such violation directly on the users involved in uploading the video content online as opposed to the Internet providers, as is currently the practice.[143] In response, on 25 October *major Russian video portals* dealing in licensed content (Tvigle.ru, Zoomby.ru, TVZavr.ru) issued a statement protesting against placing liability for illegal content on users; in order to combat illegal production online they suggested a whole range of measures, including a suggestion that search sites should not index websites that host illegal content, should not publish their advertising (including contextual advertising) and limit the maximum length of uploaded files to 7-10 minutes. In addition, the authors of the statement said that the providers themselves should offer rights holders a mechanism for monitoring pirated video.[144] Lastly, on 08 November, Russian

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[138] Multiplexes include groups of eight or more TV channels.

[139] Carousel began broadcasting on 27 December 2010 on both parent channel frequencies. Starting in 2012 Carousel will be included in Russia's package of free-to-air TV channels.

[140] Ксения Болецкая. «Цифра не для маленьких», «*Ведомости*», №57 (2575), 01.04.2010 г. [Ksenia Boletskaya. "Digital isn't for the Little Oones", *Vedomosti* №57 (2575), 01 April 2010].

[141] http://www.bit.prime-tass.ru/news/show.asp?id=69687&ct=news

[142] Анастасия Голицына. «Интернет без закона», «*Ведомости*», №75 (2593), 27.04.2010 г. [Anastasia Golitsyna. The Lawless Internet, *Vedomosti*, № 75 (2593), 27 April 2010].

[143] Виталий Петлевой. «Не в ответе за пользователя». «*РБК Daily*», №158/621, 15.10.2010 г. [Vitaly Petlevoy. "Not answering for the user, *RBC Daily*, №158/621, 15 October 2010.

[144] Павел Белавин. «Интернет-компании делят ответственность за пиратский контент», «*Коммерсант*», № 98/П4498, 25.10.2010 г. [Pavel Belavin. "Internet Companies Assign Blame for Pirated Material", *Kommersant*, №98/P4498, 25 October 2010.]

rights holders issued a response, expressing their disagreement with the position taken by Internet services operators. In their opinion Internet companies cannot be completely absolved of all responsibility, since they provide the means for the illegal uploading of content, thus collaborating with copyright infringement. Rights holders also announced that they were prepared to work with the Internet companies and governmental organizations to develop legal regulations, as the current legal system does not adequately reflect the particularities of using copyrighted material on the Internet.[145]

5) An additional condition for engaging in streaming broadcast distribution in Russia is the *acquisition of a certification to broadcast films on cable television.* This requirement is stipulated in Resolution №396 of the RF's Council of Ministers, signed 28 March 1994, "On the registration of cinema and video films and the regulation of their public screening". The responsibility to register audiovisual products lies with the rights holder (the distributor or producer –a resident of the Russian Federation) and concerns film and video intended for public commercial and non-commercial screenings using a projector, in cinemas, video clubs, or any other venues, regardless of ownership (with exceptions made only for screenings at festivals), as well as broadcast via cable television. Films created independently by TV companies for broadcast over TV or acquired for this purpose do not require such registration. At the same time, industry specialists observed that the law concerns not only the rights holder's intention to screen the film on cable television, but also the potential ability to do so. In other words, Russian rights holders will be obliged to hold a distribution certificate for a film regardless of whether they take advantage of all its potential uses. In practice, distributors that hold all the rights to a film tend to register them all simultaneously when the film goes into theatrical release or on video. Rights holders at that point do not bother registering for a separate set of rights specifically for the screening of a film via cable television; in Russia a film can be shown on terrestrial television without a distribution certificate.
6) The Russian legal system includes a rule regarding the so-called "*short citation*": in accordance with Article 1274 of Part IV of the Civil Code, in Russia the free use of a work for current affairs, academic, educational, or cultural purposes is permitted without the permission of the author or any other rights holder and without having to pay royalties (the acknowledgement of the author and the source of the borrowed material is, however, required). For streaming broadcast distribution this rule affects the use of published works and excerpts of such works for the purpose of informative illustration in TV programmes of an academic nature (of a volume appropriate to the stated purpose); the terrestrial or cable broadcast of publicly delivered political speeches, reports, and so on (of a volume appropriate to the stated purpose); the terrestrial or cable broadcast of articles published regarding current political, social, and religious topics, or works of the same nature broadcast on terrestrial television (as long as this use was not forbidden by the author or any other rights holder); the reproduction or broadcast for general viewing of any depiction of current events using photography or cinematography via terrestrial or cable broadcasts, when such works are seen or heard during the depiction of such events (of a volume appropriate to the informational purpose); the production of satiric literary, musical, or other works, styled as caricatures based on other, original, legally published works and the use of these parodies or caricatures.
7) In addition to this, Article 1279 of Part IV of the Civil Code gives broadcast organizations *the right to record freely with the intent of short-term usage of a work* that the organization has acquired permission to broadcast (under the condition that the recording is done using equipment belonging to the said broadcast organization and is done only for their own broadcast purposes). The law also calls for the recording to be destroyed within six months of the day of

[145] The rights holders' declaration was signed by the following: the Guild of Producers of Russia, the Unified Sate Film Collection, Mosfilm Cinema Concern, the Russian Anti-Piracy Organization for the Defence of Rights to Audiovisual content (RAPO), the National Federation of Recording Producers (NFPP) and the Non-Profit Partnership for the cooperative development of the market for musical and audiovisual content on the Internet (NP MAK).

its creation (assuming the rights holder has not approved a longer period of time and that the law does not allow for a longer period). Such a recording might be kept without the approval of the rights holder in governmental or municipal archives if said recording is strictly documentary in nature.

8) In Russia there is no legal obligation for broadcasters to show content only in Russian (in contrast, for example, with Ukrainian law). Although some limited release films might be shown in their original language with Russian subtitles, most theatrical releases are fully dubbed into Russian. In contrast, most of the films broadcast on television are shown with a voice-over, meaning the original soundtrack is still audible. It's worth noting, however, that there is a significant amount of dubbed content shown on television and this has grown increasingly in recent years.
9) Article 14 of the law "On advertising" imposes *restrictions on the placement of advertising in television programmes*, which affects the cost of TV advertising time as well as the cost of the TV station's content, which varies depending on the amount of advertising legally permitted during broadcast of said content. The maximum volume of advertising is set at 15% of every hour that a given TV programme is being broadcast (9 minutes per hour). If the advertising is shown in the form of scrolling text or any other means of insertion into the frame of the programme being broadcast, then such adverts must take up no more than 7% of the screen and may not cover up subtitles or other on-screen text of an explanatory nature. These requirements do not extend to insertions that include information about other shows being shown on the same channel, nor do they concern the TV programme's logo or information about the programme (this leads to the possibility of TV channels announcing their programmes during the showing of a film, covering up part of the image, or when the credits following the film are sped up and shown in the corner of the screen, while the rest of the screen is devoted to announcements of other programmes and an announcer's voice can be heard. TV programmes less than 15 minutes long cannot be interrupted by advertising, nor can they be accompanied by any scrolling text. Strict limits are placed on *advertising in children's and educational programmes*: if the programme is less than 15 minutes, then 1 minute of advertising is allowed to be shown immediately at the beginning of the programme and immediately at its end; for programmes more than 25 minutes long, advertising can be up to 1.5 minutes; for 45 minute programmes – 2.5 minutes; for a children's programme running over an hour, then the overall length of advertising can reach six minutes (3 minutes at the beginning and 3 minutes at the end). However, the lack of any opportunity to intersperse children's and educational programming with advertising blocks restricts the amount of such programming on terrestrial television in Russia.[146] Other programmes, including *feature films*, can be interrupted by multiple advertising blocks of up to four minutes long. *This restriction,* as stipulated in the law "On advertising", *does not affect advertisements during television programmes and broadcasts that are accessible via paid subscription in conjunction with decoding hardware.*
10) Finally, there are also restrictions on shows shown via the Internet, based on *laws that protect children and restrict pornography and extremism.* Article 37 of the federal law regarding mass media allows for the release of special radio and television programming of an erotic nature without encryption only from 11:00 PM to 4 AM, local time, if local government does not dictate otherwise. Article 4 forbids the abuse of the free press, for the purpose of committing crimes, publishing state secrets, distributing material containing public incitement to engage in terrorist acts or publicly justifying terrorism, or the distribution of other extremist material or material promoting pornography, violent cults, or cruelty. The distribution of subliminal messages via radio, television, video, cinema, documentary or dramatic films, as well as by informational computer files and programmes for the development of informational texts for specific

[146] Роман Рожков. «Мультпросвет», журнал «Деньги», № 38 (743), 28.09.2009 г. [Roman Rozhkov. "Animated Enlightenment", *Den'gi*, №38 (743), 28 September 2009]

forms of mass communication, hidden messages, or by any other technical means or methods is forbidden, as is using the above methods to harm people's health. Also forbidden from broadcast in mass media or computer networks is information regarding the ways of using, processing, preparing or producing narcotics, psychotropic drugs or their ingredients, or the promotion of the advantages of using narcotics, psychotropic drugs, their equivalents or ingredients, as well as the distribution of other information forbidden by federal laws.

3.2.4 Duty and tax incentives

1) Duties on streaming broadcast distribution in Russia are associated with the acquisition of licenses and permits for such activities. Some of these fees are assessed on receipt of a license for the TV broadcast of a channel (the cost of which might be anywhere between RUB 1-30 million, depending on the size of the channel's audience and the type of broadcast; duties are divided between the Federal Reserve (60%) and the Ministry of Communications and Mass-Media (40%).[147] In addition, players on this market pay federal taxes when registering the type of mass media in question and on receipt of distribution certificates, for films and so on.
2) Copyright legislation in Russia dictates that composers whose musical pieces (with or without text) are used in audiovisual works are entitled to royalties when said audiovisual work is performed publicly or broadcast via terrestrial or cable transmission (Article 1263 of Part IV of the Civil Code). In television, such royalties amount to 2-3% of the licensing contract[148] and are paid by broadcast companies via accredited organizations (at present, this role is carried out by the Russian Authors' Society[149] and The Russian Organization for Intellectual Property[150]).
3) Article 1245 of Part IV of the Civil Code sets royalties for the free reproduction of recordings and audiovisual works for personal use, although as recently as 14 October 2010, the Russian Federation issued Resolution №829, which will require producers and importers recording and duplicating audiovisual works and blank discs to pay 1% of their declared value to the fund of an accredited organization, which will then distribute these funds to the authors (40%), performers (30%), and producers (30%) of these works.[151] Still unresolved is the question of the adoption of resolutions regarding the collection of similar fees from communications operators and Internet providers – a fee that might amount to as much as 2% of proceeds (this resolution entered the State Duma in October). Such a policy change would mean that communications operators would be required to establish a reserve of royalties. The operators themselves oppose these proposals, as they consider the equation of communications services with equipment and tangible media formats to be unfair.[152]
4) Tax breaks are granted to National Films related to duties on streaming broadcast distribution, including exemptions from the value-added tax (VAT) on the sale of rights for the use of audiovisual works, which includes rights to hire and exhibit. Other cinema productions do not enjoy these exemptions.

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[147] The regulatory framework for audiovisual media services in Russia, by Andrey Richter // IRIS Special, European Audiovisual Observatory, Strasbourg 2010.
[148] Regulation "On the assessment of royalties for the public performance of published musical works (with or without text), excerpts from musicals or other works", in Resolution №8 of the Authors' Council of the Russian Authors Society, signed 18 December 2009.
[149] http://rao.ru
[150] http://www.rosvois.ru
[151] In October 2010, the Russian Union of Right-Holders (RUR- http://rp-union.ru), headed by Nikita Mikhalkov, was accredited with the collective management of rights in this sector, and plans not only to reimburse rights holders, but also to devote 20% of its resources to a fund to support domestic film production. The RUR initially pledged to devote 60% of all resources received. However, under public pressure and at the recommendation of Rosokhrankultura (the Federal Service for monitoring compliance with cultural heritage protection law) this aspect of the law was changed November 2010. (Ксения Болецкая. «Кино сократили». «*Ведомости*», №212 (2730), 11.11.2010 г. [Ksenia Boletskaya. "Cinema Abridged" *Vedomosti*, №212 (273), 11 November 2010]).
[152] Антон Бурсак. «Операторы заплатят за все», «*РБК Daily*», №155 (618), 12.10.2010 г. [Anton Bursak. "Operators Will Pay for it All", *RBC Daily*, №155 (618), 12 October 2010.

3.3 The history and current status of the streaming broadcast distribution sector in Russia

3.3.1 Television

3.3.1.1 Terrestrial television

Terrestrial television has a longer history and has historically played the central role in the Russian television market. This is due to the fact that it is free to consumers, with the system's main funding coming from the government (from the federal budget) and commercial channels (whose profits come from the sale of advertising).[153]

The first Soviet television broadcasts were made in Moscow in 1935. From 1941 to 1945, during the Second World War, television did not function in the Soviet Union, and the full-scale expansion of television broadcasting only began in the 1950s. In 1951 the first central TV studio was built (known as the 1st Programme) and after 1956 work began on the 2nd Programme. For a long time, these two channels were the only sources of Soviet-wide television programming. At the time of the Soviet Union's collapse, there were five channels: two that covered all of Russia (the 1st and 2nd Programmes) as well as the 3rd Programme, which covered Moscow, the 4th, which carried educational programming, and the 5th, which was broadcast in Leningrad. These programmes were only accessible to the residents of Moscow, Leningrad, and a few other regions in the western USSR. In addition, each Republic in the USSR had its own TV channels. However, on the whole Soviet citizens were limited to a very sparse choice of television channels until the beginning of the 1990s.

The first *commercial state* television company hit the airwaves on 02 November 1989. This was the channel 2X2 (morning and afternoon broadcasts on the government's Central Television's 3rd Programme, broadcasting from 6 PM to 11 PM). The first broadcasts of *private, commercial television*, Channel 6 (TV-6 Moscow), began in 1993, and on 10 October of that year the channel NTV (initially Nezavisimoye Televidenie or Independent television) came on air.

Channel TV-6 became the trail blazer for the construction of *regional broadcast networks*: with the goal of expanding their audience and increasing advertising profits, the company began signing contracts with regional TV broadcasters, arranging for the broadcast of their programming on local networks – from 1993 until the middle of 1996 the company's audience swelled from 500,000 Muscovites to 68 million people all across Russia (TV 6 was closed in 2002 and its broadcast frequency was turned over to the state TV channel Sport, which is currently Russia 2). This channel was followed by other major commercial TV networks that appeared between 1996 and 1998 (STS, TNT, REN).[154]

Another step in the development of the modern television environment was the attempt in 1995 to turn Channel One into Russian Public Television (Obshchestvennoye Rossiyskoye Televidenie or ORT).[155] It was headed by the renowned TV journalist Vladislav Listiev, who introduced a moratorium on advertising that lasted several months, from April to August 1995. On the whole all efforts to launch public television[156] in Russia have ultimately been unsuccessful. The issue was raised several times in the State Duma (in 1997, 2000, 2001, and 2006) but the proposals never found support among the deputies. In 2002, Russian Public Television (ORT) was renamed Channel One Russia, which marked the final rejection of the notion of public television in Russia. At present, the only non-commercial, federally-funded, ad-free channel is Russia K (Kultura, or Culture).

Having covered these major events, we will not go any deeper into the history of Russian television. For the purposes of our research, it is important to make it clear that the *federal terrestrial channels play* a vital role in the Russian media market, as well as in the socio-political life of the country. They enjoy the widest coverage, although the majority of

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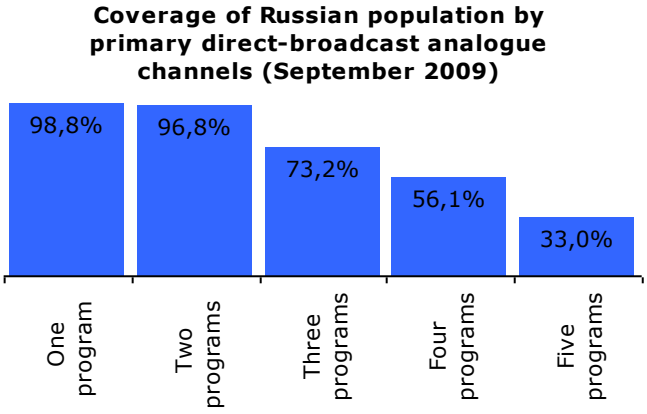
[153] As noted in the framework for the special federal programme for "The development of broadcasting in the Russian Federation for 2009-2015", the bases for the government's system are: the All-Russia State Television and Radio Company (VGTRK), the Russian Television and Radio Broadcasting Network, the Russian Satellite Communications Company (RSCC), and Ostankino TV centre which are all federal state unitary enterprises, as well Channel One Russia, which is an Open Joint Stock Company.

[154] Russian television: industry and business. Video International research centre, Moscow, 2010.

[155] Based on Wikipedia article "Television in Russia" http://ru.wikipedia.org/wiki/%_D0%_A2%_D0%_B5%_D0%_BB%_D0%_B5%_D0%_B2%_D0%_B8%_D0%_B4%_D0%_B5%_D0%_BD%_D0%_B8%_D0%_B5_%_D0%_B2_%_D0%_A0%_D0%_BE%_D1%_81%_D1%_81%_D0%_B8%_D0%_B8

[156] Public television consists of a supervisory committee that puts the public in control of programming, with a socially oriented programming policy determined by the public and specific sources of funding (subscription, for example) taking the place of advertising revenues (based on information from the Russian Union of Journalists– http://www.ruj.ru/pravcenter/otv4.html).

them can only be called "terrestrial" channels in a limited sense, as they are generally delivered to viewers across Russia, in different cities or even in different neighbourhoods in combination with the channels found throughout the country, on equipment shared by other channels (using federal or local networks, using satellite, or in a package offered by cable or IPTV operators[157]). As noted in the special federal programme for "The development of broadcasting in the Russian Federation for 2009-2015", terrestrial TV channels do not currently enjoy uniform coverage across Russia with 95% of the population receiving one or two TV channels and only 33% able to get five.



Source : Mincomsvyaz

Figure 66. Coverage of Russia's population by the main terrestrial television channels (based on data from September 2009)

As far as the total number of broadcast companies is concerned, the official data from Roskomnadzor shows that 4,965 active licenses had been issued as of 01 January 2009. Of these:

- 2,705 were for terrestrial broadcasting;
- 19 were for digital broadcasting;
- 14 were for satellite broadcasting;
- 2 were for terrestrial and cable combined.

According to the same source, by the end of 2009 in Russia there were 6,475 active broadcast licenses (including territorial licenses), amounting to 18.3% of all the licenses in Roskomnadzor's register. In all, there were 3,221 companies in Russia with broadcasting rights. Furthermore, in the course of a year, 1,249 television broadcast licenses were issued or extended.[158] Nevertheless, estimating the actual number of channels broadcasting in Russia is quite problematic, as various legal entities might hold licenses and at the same time might be regional representatives of the same state broadcasting channel, cooperating with terrestrial channels in a specific area (with a complete or partial allotment of airtime being granted to the larger, city-based network) or might even themselves represent an independent local TV channel. We also note that at the beginning of the 2000s network broadcasters expanded their coverage practically treading on the heels of field research teams from TNS: since 1999 this research firm (then known as Gallup Media) has been supplying the industry with data used to sell television advertising. The company's sampling of the country expanded to include more and more of Russia (from the largest cities to the smallest). As a result, cities were being added to TNS's survey at the same time that the value of local airtime for advertising brokers was increasing, which in turn inspired TV channels to take an interest in these broadband sectors. This process continued until the

[157] State TV channels like Channel One, NTV and Russia K have substantial resources of their own and generally speaking have licenses to broadcast in various regions using their own stations, while the network channels (STS, TNT, TV3, Domashniy, and others) are more limited, working primarily with partners local to these various regions that have their own broadcast licenses. Russia 1 is a special case, as its regional broadcasting is organized according to the networks' model, but its local partners, like Russia 1 itself are owned by VGTRK.
[158] Roskomnadzor's public report. 2009.

mid 2000s when cable operators became active in regional markets and began to include programming from nationwide terrestrial channels in their basic packages.[159]

According to data produced by the Video International research centre, twenty channels were actively aspiring to nationwide coverage in the Russian nationwide terrestrial television segment in 2010.[160] Although the actual level of these TV channels' technical expansion varies widely – from 99 to 36%. It has become accepted in the industry to divide these TV channels in three distinct groups:

- *federal channels* (Channel 1, Russia 1, NTV);
- *major network channels* (STS, TNT, REN);
- *specialized* (or niche) broadcast channels (TVTs, Russia K, Domashniy, Russia 2, Muz TV, MTV, TV-Z, DTV, Channel 5, Russia 24, Euronews, 2X2, Zvezda, 7TV).[161]

Furthermore, at the beginning of 2010 a number of changes took place at the VGTRK holding[162] (The TV channels Vesti and Kultura were renamed Russia 24 and Russia K, respectively and Sport is now Russia 2. The latter's strategy has changed as well, moving away from exclusively sports-focused programming. Now alongside live broadcasts of popular sports competitions, a mix of films, series, documentaries, and news are also shown[163]); similar changes went on at another sports channel – 7TV. The owners explain their move away from a purely sports-driven format by the high price of rights for live broadcast and the low ratings for recorded competitions, which prevents these channels from earning high ratings and thus maintaining their profitability).[164]

Almost all of the terrestrial TV channels are part of major media holdings – VGTRK, Channel One, Gazprom Media, STS Media, National Media Group, ProfMedia and AF Media Holding. Exceptions include Zvezda (which is owned by the RF's Ministry of Defence) and TVTs (City of Moscow's Board of Properties). All terrestrial channels, with the exception of Channel 5 (St. Petersburg) and the Russian version of Euronews (based in France) are made in Moscow.[165]

The majority of national terrestrial channels are broadcast using dual, orbiting versions of the channel, each targeting different time zones. The number of orbits varies from two to five. Several channels use a direct broadcast, without an orbit, and viewers in different time zones will be watching the same picture simultaneously, regardless of the local time (Russia 2, Russia 24, 2X2, Euronews).[166]

Over 95% of Russia's population has access to Channel One, Russia 1, and NTV. These channels "inherited" the terrestrial distribution network from the Soviet Union's Central Television. Close behind them in terms of coverage are the oldest television networks STS, REN, and TNT, the first TV channels to use a network broadcast strategy. In all, the network

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[159] Russian television: industry and business. Video International research centre, Moscow, 2010.

[160] Furthermore, officially, in accordance with part 3.1 of Article 14 of the Federal law "on advertising", channels that broadcast in more than five constituent territories of the Russian Federation and hold licenses or other rights (licensing agreements, contracts, etc.) are considered to be federal TV channels. According to information from Roskomnadzor, there are 11 television channels of the first type (or, more accurately, television companies) and 4 of the second type. Thus, as of 01 October 2010, state TV companies include the following:

1. Channel One;
2. VGTRK (Russia 1, Russia 2, Russia 24, Russia K);
3. Petersburg broadcast company (Channel Five);
4. NTV TV company (NTV);
5. TV Centre (TVC);
6. STS-Region (STS 1st Entertainment channel, Domashniy);
7. TV DARYAL (DTV);
8. TV Service (Muz-TV);
9. Sports channel 7TV (7TV);
10. Channel TV3 (TV-3);
11. Energy TV (MTV);
12. TNT Teleset (TNT);
13. Accept (REN);
14. Mir TV [Mezhgosudarstvennaia teleradiokompaniia] (Mir);
15. TRK VS RF ZVEZDA [STAR] (Zvezda).

[161] Russian television: industry and business. Video International research centre, Moscow, 2010.

[162] For the sake of clarity, from this point on we will be using TV channels' modern names even when describing their activities in the past, when they might have had different names.

[163] http://www.vesti.ru/doc.html?id=334165&cid=9

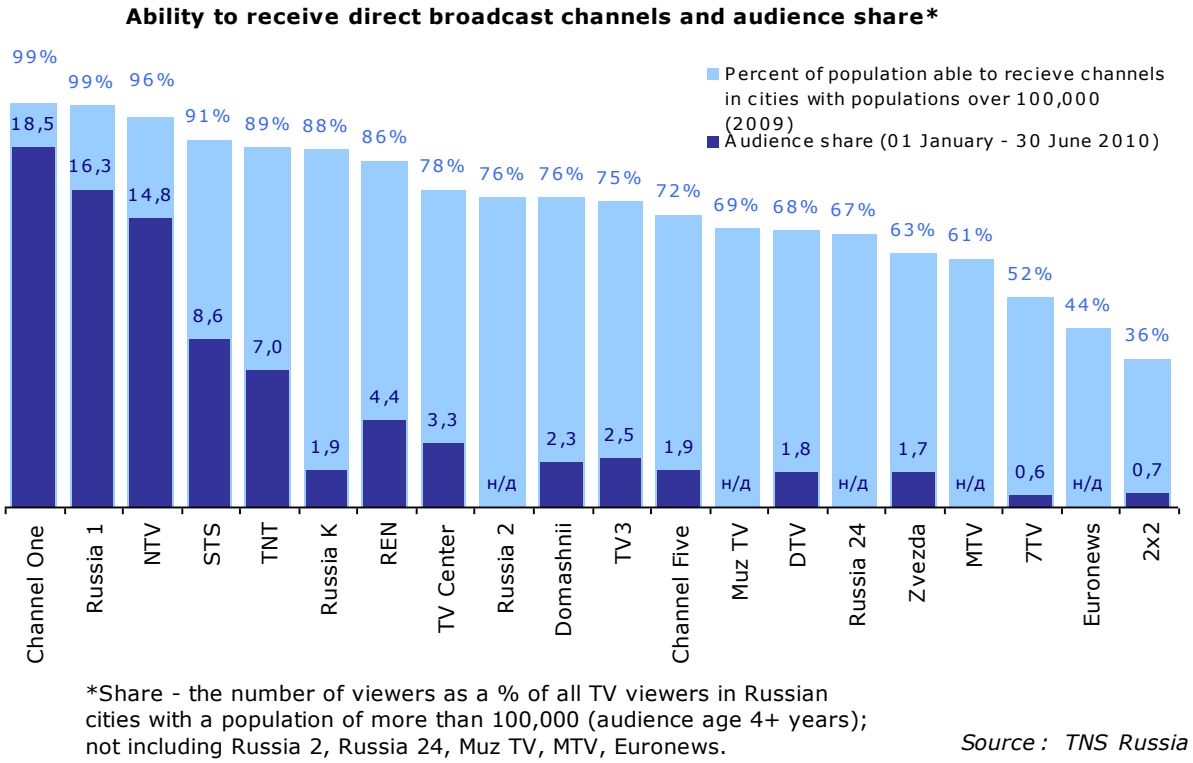
[164] Ольга Гончарова, Сергей Соболев. «7ТВ изменил спортивному образу жизни», «*Коммерсант*», № 185 (4240), от 06.10.2009 г. [Olga Goncharova, Sergei Sobolev. 7TV has Changed its Sporty Way of Life" // *Kommersant* No. 185 (4240), 6 October 2009].

[165] Russian television: industry and business. Video International research centre, Moscow, 2010.

[166] Russian television: industry and business. Video International research centre, Moscow, 2010.

strategy of broadcast organization is one of the predominant models for terrestrial television channels. Broadcast in rural areas is carried out using regional partners (terrestrial TV stations and cable operators) or via their own local TV stations.[167]

TNS Russia's[168] data regarding the popularity of terrestrial TV channels in Russia shows that in 2010 the largest audience shares were enjoyed by[169] Channel One, Russia 1, and NTV, with the remaining channels lagging significantly behind the leaders.



*Share - the number of viewers as a % of all TV viewers in Russian cities with a population of more than 100,000 (audience age 4+ years); not including Russia 2, Russia 24, Muz TV, MTV, Euronews.

Source : TNS Russia

Figure 67. Ability to receive direct broadcast channels and audience share

At the same time, the figures for the five largest broadcast channels' audience shares in recent years show that NTV has dramatically improved its standing and is closing the gap on Channel 1 and Russia 1, while the gap between the leaders of the first group and the second group (between Channel 1 and Russia 1, and STS and TNT, respectively) has narrowed.

[167] Source as above.
[168] http://www.tns-global.ru/rus/index.wbp
[169] A channel or a programme's audience share is the channel or programme's number of viewers, expressed as a percentage of all TV viewers during a certain period of time that channel or television programme is broadcasting.

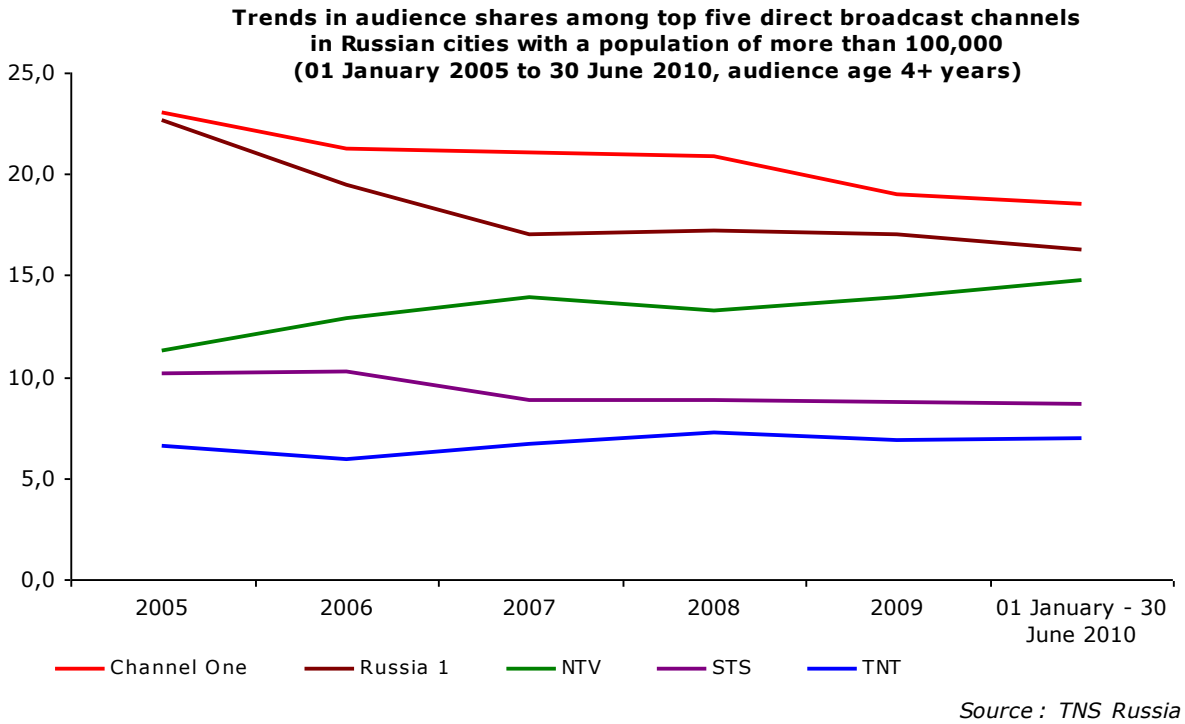


Figure 68. Trends in audience shares among top five direct broadcast channels

Future developments in TV broadcasting systems in Russia are tied to the official "Policy strategy for the transition to digital broadcasting", which defined the makeup of the first multiplex, (eight free Russia-wide TV channels[170]), which will enter into operation by 2014 with the help of funds from the federal budget. The second and third multiplexes should begin digital broadcasting before 2015, but this will have to be funded from their own financial resources, which may affect the TV channels that are universally accessible in Russia – if one of them is unable to find the funding necessary for modernization or is forced to switch over to a paid subscription system. There is also the issue of the transition to digital TV broadcasting in Russia: the policy strategy for the special federal programme proposes that subscription-based TV adapters used in the reception of digitally broadcast TV channels and packages of individually selected satellite TV transmissions be paid for by viewers, although no one has estimated how much this transition will cost the public and whether or not the population is prepared for this sort of outlay. At the same time, the "big three" operators of mobile networks (Beeline, MTS, and Megafon) have made a proposal to cover the costs of these adapters for the entire population if the government grants them the use of the analogue frequencies that this would free up.[171] On the other hand, the transition to digital broadcasting provides an opportunity to expand the transmission capacity of the Russian broadcast spectrum, improving the quality of broadcasts and increasing the number of digital TV broadcast channels.

In addition to the free, state run, conventional, terrestrial TV channels in Russia, there is also a network of regional stations that broadcast content from their own TV channels. The majority of these *regional TV channel networks* broadcast for less than a full day (generally speaking, this includes news and current affairs programmes broadcast during distinct, regionally-defined slots on state terrestrial TV channels, including: STS, REN, TNT, Channel 5, as well as the frequencies of the government channels in the VGTRK holding). Nevertheless, in many large cities, there are independent (non-networked) local (city- or district-wide) TV channels that produce their own content and have their own programming for the whole of the broadcast day. In all, there are 26 of them[172] (four in the Central

[170] Channel One, Russia 1, Russia 2, Russia 24, Russia K, NTV, Channel Five, and a children's channel (to be based on the TV channels Bibigon and TV Nanny).
[171] Russian television: industry and business. Video International Analytical centre, Moscow, 2010.
[172] In October 2010 broadcast began in St. Petersburg of a new, city-based channel, which plans to draw its financing from the city budget. For now, the channel has a temporary slot on the TKT-TV channel frequency, but it

Federal District, one in the North-Western Federal District, five in the Volga Federal District, one in the Southern Federal District, six in the Siberian Federal District, eight in the Ural Federal District, and one in the Far Eastern Federal District.[173]

For a long time local television stations did not have the opportunity to accept high-quality content to broadcast to their audience because their direct access to large production companies and distribution companies in Russia and abroad was limited (major studios are unlikely to come to direct agreements with regional TV companies, and the content aggregators' sector is still in its early stages in Russia) although, as Russian film distributors have noted, such deals have their place when using a multi-platform approach to film distribution. However, in the majority of cases local TV channels have had to sign contracts for terrestrial broadcast with federal companies, thus losing their distinctive character and independence in their broadcast decisions. In September 2005 the Kontrakt-Region [Contract-region] agency and Pervaya Videokompaniya [First Video Company] attempted to change this situation by forming the Regional Television Syndicate (RTS), which functioned in the following way: a pool of regional TV channels received high quality, fairly expensive content (films and series) and broadcast them at prime time. In return, the company-intermediary that formed the syndicate was given blocks of advertising that were alternated with the broadcasts of these films and series. The sale of advertising time in these blocks brought the intermediary money up front, which the company could then use to pay the product distributors.[174]

A similar structure was used in the creation in February 2005 of the National Television Syndicate (NTS)[175], which replaced the RTS. NTS's creator was Video International, a leader on the Russian market for TV advertising placement. Channel One became a general partner in the project; broadcast contracts for content were signed with major Russian and foreign rights holders.[176] In August 2010 NTS proposed a 10 hour programming network to its partners, including the following programmes: documentary films on historical subjects, daytime serials, Russian hit serials, Soviet cinema, foreign cinema, Russian cinema (from Monday through Thursday), Russian blockbuster films (on Fridays), comedy programmes (on the weekend).[177]

Terrestrial television channels (both regional and national networks) are the largest consumers of audiovisual productions for streaming distribution, while the sale of TV broadcast rights has always been an important source of profits for Russian producers and distributors.[178] According to data from Video International, nearly half of all broadcasts (43% of broadcast time in 2009) on the 20 national TV channels is devoted to cinematic works. Documentary and entertainment content follow in a distant second and third place, with 13 and 12%, respectively[179], while the overall volume of feature films shown on Russia's eight state TV channels (Channel One, Russia 1, NTV, STS, REN, TNT, DTV, Domashniy) in 2009 came to 12,307 hours (about 34 hours per day), which is up 6% from last year's levels. However, this does not mean that the world economic crisis has not had an impact on the volume of cinema content bought by federal TV channels, because the rights for many films shown on television were acquired at an earlier date. In fact, according to market players (producers and distributors), in 2009 the TV companies' purchasing prices dropped due to a decline in the value of advertising time and a corresponding decline in profits.

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is expected that it will become a fully fledged terrestrial channel. This means that in the near future Russia will have 27 regional TV channels operating over the whole of the broadcast day.

[173] Russian television: industry and business. Video International research centre, Moscow, 2010.

[174] Константин Воронцов. «Телеканалы переключаются на российские программы», «Коммерсант», 06.10.2004 г. [Konstantin Vorontsov. "TV Channels Switch to Russian Programmes", *Kommersant*, 06 October 2004].

[175] http://www.ntstv.ru

[176] *Biznes* ("Business") newspaper on the creation of the company "National Television Syndicate" (NTS), 26 April 2005. http://www.arpp.ru/news/31/10617--qq----q--q-.html

[177] http://www.ntstv.ru/rus/news/253/

[178] Ольга Гончарова. «Актерам написали пессимистический сценарий», «*Коммерсант*», № 36/П (4091), 02.03.2009 г. [Olga Goncharova. "Actors Given a Pessimistic Script", *Kommersant*, №36/P (4091), 2 March 2009.

[179] Russian television: industry and business. Video International research centre, Moscow, 2010.

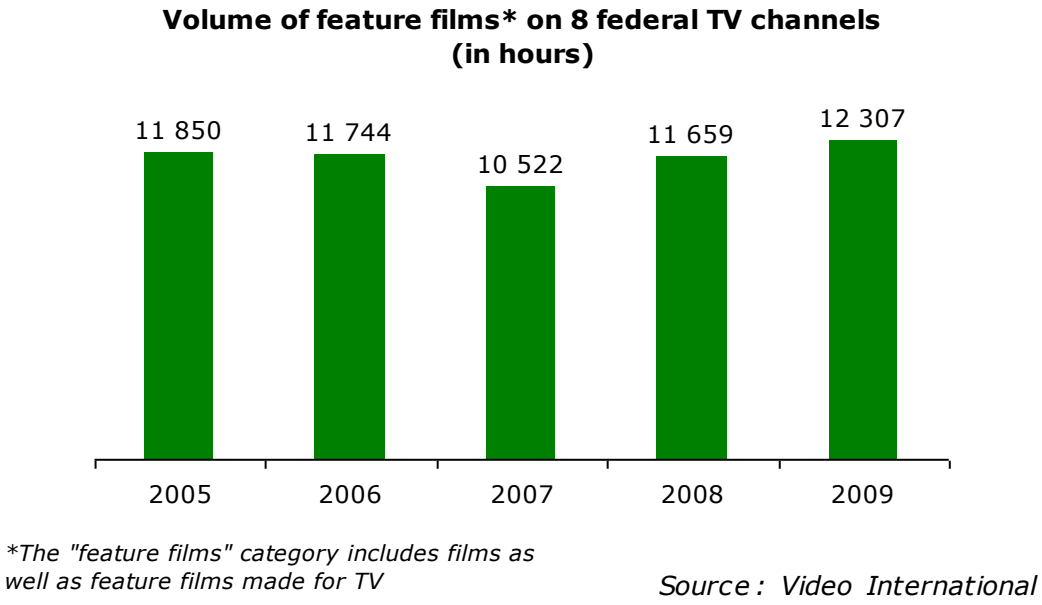


Figure 69. Trends in the volume of feature films shown on the eight state TV channels

According to TNS Russia, in 2010 the lion's share of feature films shown on Russian television were broadcast on the Zvezda, Channel Five, TVC, 7TV, and TV3 channels – motion pictures make up more than 30% of programming on each of these channels.

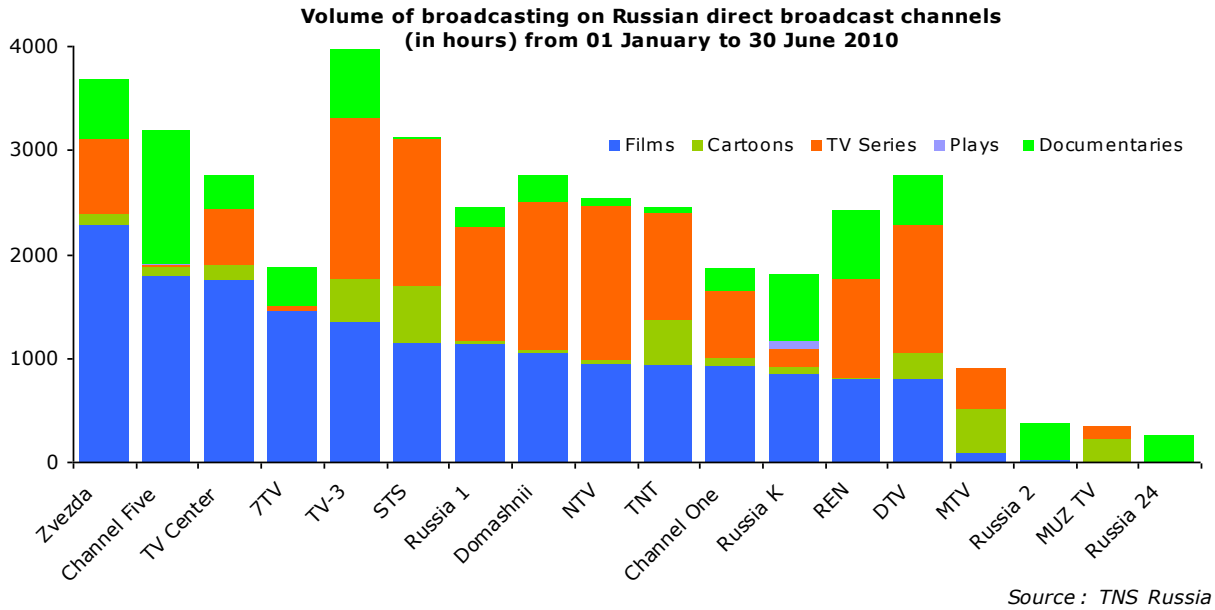


Figure 70. Volume of airtime devoted to motion pictures by Russia's terrestrial TV channels, by type of motion picture

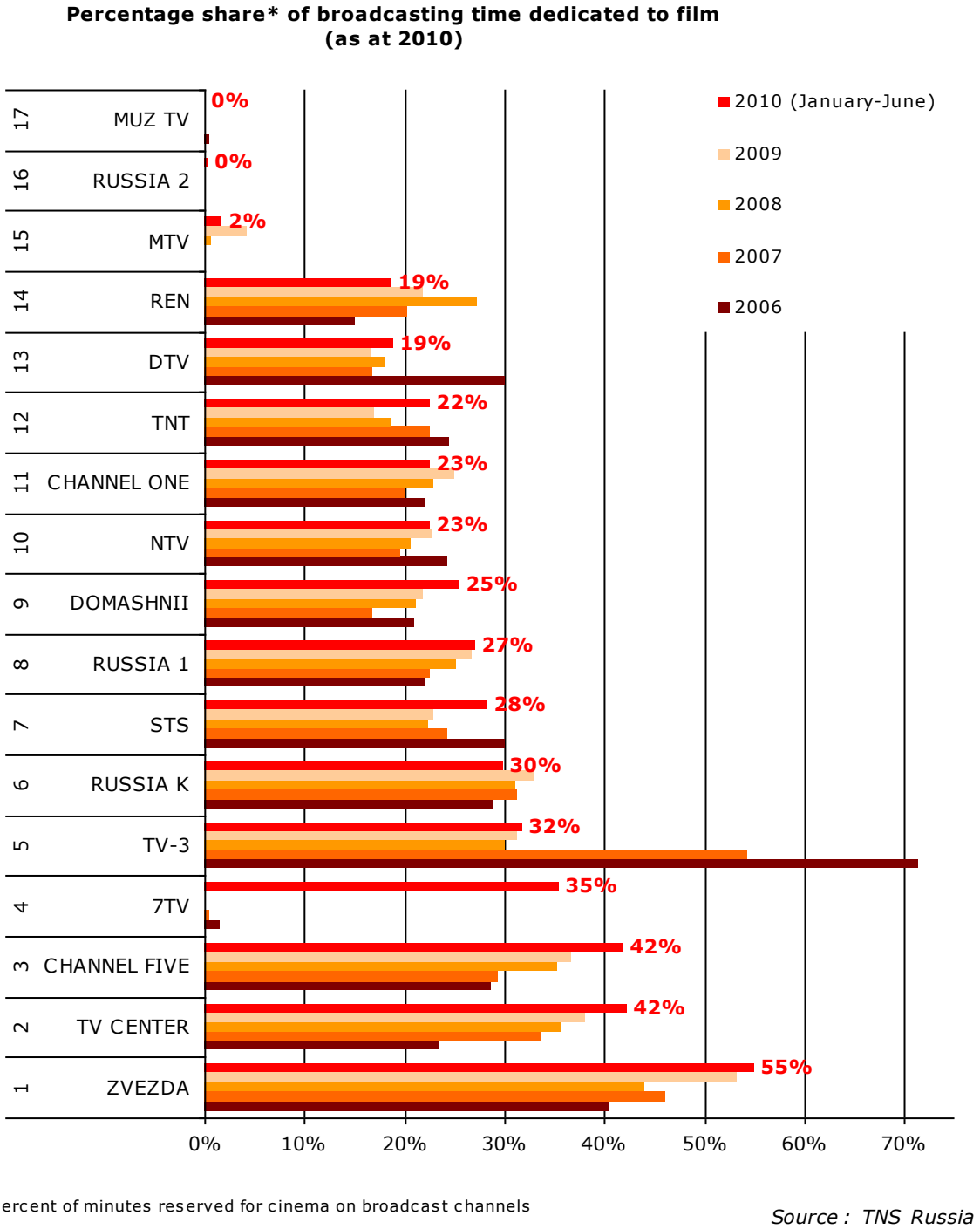
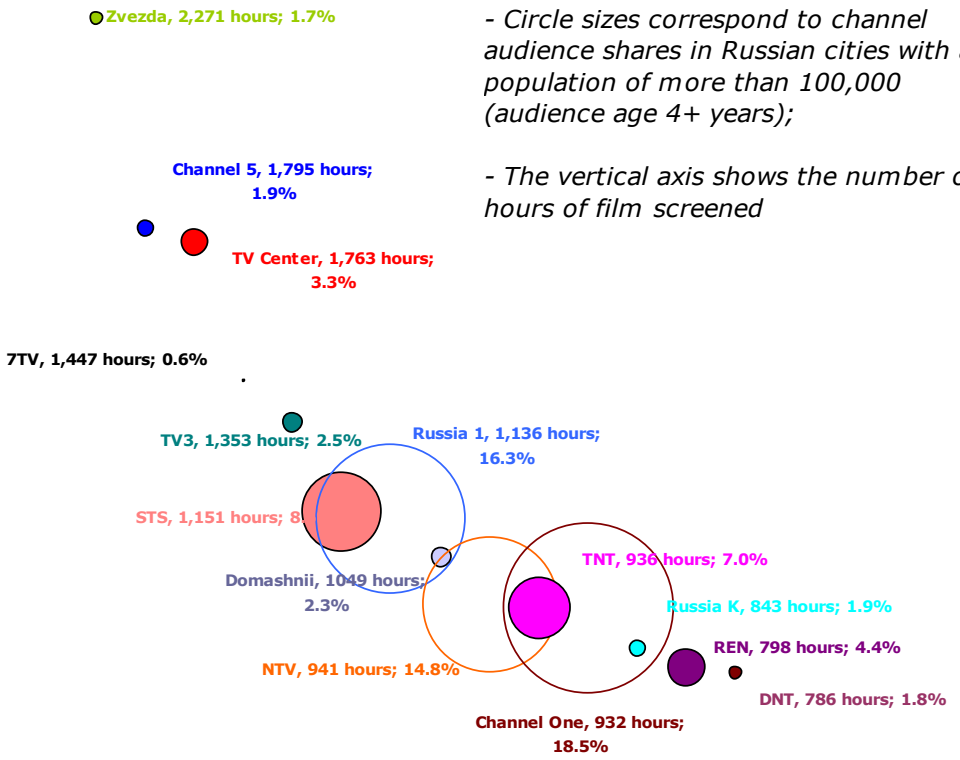


Figure 71. Percentage share of broadcasting time dedicated to film (2006-2010)

In that same period the Russian television market's most popular channels (again, the top-5 are Channel One, Russia 1, NTV, STS, TNT) are nowhere near the top in terms of the number of hours of feature films they broadcast. Also worth noting is that in 2009, feature films began to be shown on two specialized terrestrial channels – the music channel MTV and the animation channel 2x2, and in early 2010 the sports channel 7TV also changed its format.[180]

[180] As a result of changes in format and expansion of the channel's local network coverage, by mid-2010, the 7TV channel sharply increased its daily average rating (according to TNS Russia, up to 1.5% among those aged 18-54 in July-September 2010, compared to 0.2% for the same period of 2009), particularly on weekends, when the channel showed popular Soviet films as part of its "Summer Cinema" schedule. This brought about an increase in advertising sales (7TV became the leader in terms of growth rate for this measure) which resulted in advertising times exceeding the legally mandated 9 minutes per hour, and the channel's management having to cancel its teleshopping. (Сергей Соболев. «7ТВ прикрыл лавочки», «*Коммерсант*», №177 (4477), 24.09.2010 г. [Sergei Sobolev. "7TV Closes up Shop", *Kommersant* №177 (4477), 24 September 2010]). In the autumn it became clear

Comparison of audience share and volume of TV film broadcasting on direct broadcast channels in Russia (01 January to 30 June 2010)



- Circle sizes correspond to channel audience shares in Russian cities with a population of more than 100,000 (audience age 4+ years);

- The vertical axis shows the number of hours of film screened

Source : TNS Russia

Figure 72. The correlation between audience share and volume of feature films on terrestrial TV channels in Russia (01 January-30 June 2010)

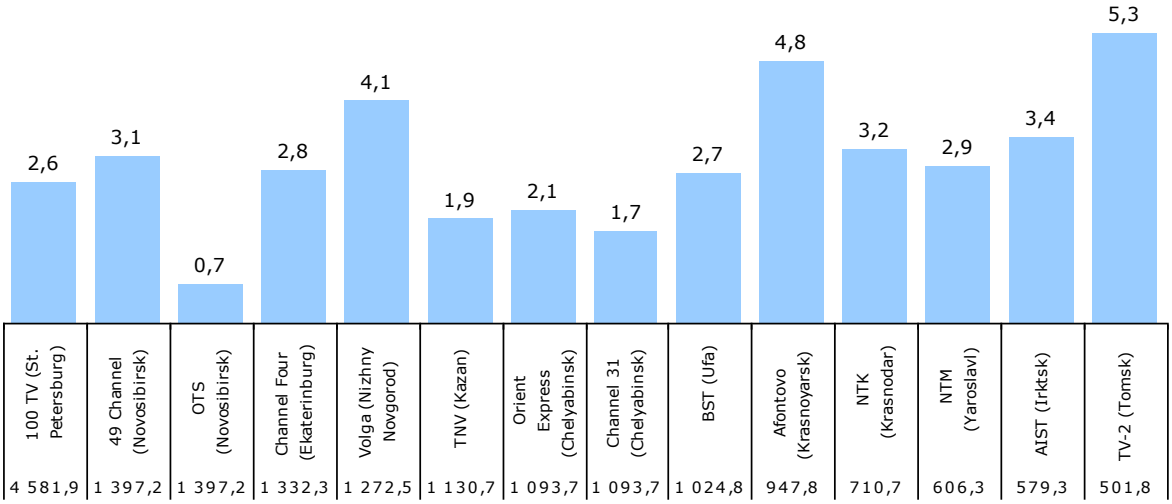
Amongst the regional terrestrial TV channels, Video International research centre lists 14 "fully fledged" TV channels, meaning those with a broadcast schedule of about 22 hours per day: Vostochniy Express and Channel 31 in Chelyabinsk, Channel 49 and OTS in Novosibirsk, 100 TV in St. Petersburg, BST in Ufa, Aist in Irkutsk, 4th Channel in Yekaterinburg, TNV in Kazan, TV-2 in Tomsk, NTM in Yaroslavl, NTK in Krasnodar, and Afontovo in Krasnoyarsk.[181] In contrast to the nationwide channels, these channels do not have a specific target audience, nor do they have the considerable material and technical resources that would allow them to produce more of their own content. However, their advantage lies in their local-interest content. The bulk of broadcasts on all 14 of these regional channels are made up of films. According to data from 2009, films made up 44% of broadcast time, ranging from Ufa's BST, with 26%, to Irkutsk's Aist, with 60%.[182]

that changes at the channel were continuing; in addition to a robust cinema programme, entertainment shows were introduced, which are expected to bring the share of its target audience to 1.17% in December 2010 and 2.28% by August 2011. (Сергей Соболев. «Владельцы 7ТВ хотят поразвлечься», «*Коммерсант*», №200 (4500), 27.10.2010 [Sergei Sobolev."7TV's Owners Want to Have Some Fun", *Kommersant* №200 (4500), 27 October 2010].

[181] However, in August 2010, the management of Afontovo TV channel in Krasnoyarsk made a decision to end independent broadcasting, and in October, the channel fully transitioned to rebroadcasting the programming of its network partner TV-3 ("The Afontovo TV Company to Close" ("Telekompaniia 'Afontovo' zakryvaetsia") // Siberian news service. Krasnoyarsk. http://krsk.sibnovosti.ru/society/124322-telekompaniya-afontovo-zakryvaetsya. 22 October 2010).

[182] Russian television: industry and business. Video International research centre, Moscow, 2010.

Audience share among 14 full-time local broadcast channels by city
(01 January to 30 June 2010)



*Share - the number of viewers as a % of all TV viewers in Russian cities with a population of more than 100,000 (audience age 4+ years)

Source : TNS TV Index Cities

Figure 73. Audience share for 14 fully fledged local TV channels in cities with broadcast reception (01 January-30 June 2010)

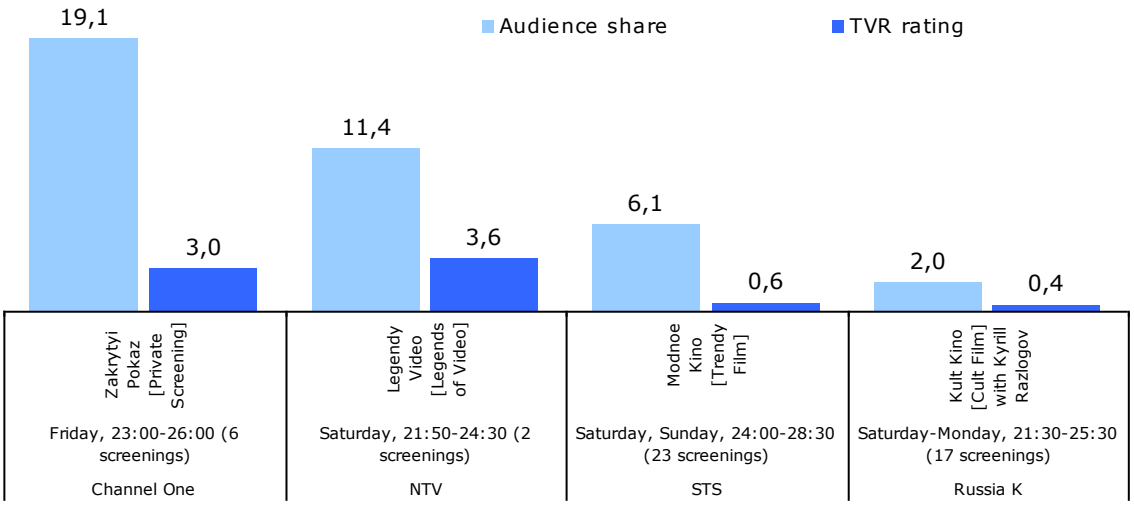
In trying to build a loyal audience base, terrestrial broadcasters set aside fixed timeslots for feature films, often putting them together in specialised packages. In 2007, a trend emerged where channels would not only show a film, but might also preface or follow a screening with discussion in the studio. This is generally the case when the audience is presented with art-house films requiring a more thoughtful approach. Among such *specialized* packages were the following:

- "Drugoe kino" ("The Other Cinema") with director Kirill Serebrennikov (TV3, in 2007, following the channel's rebranding as "The first supernatural channel" in 2008 the channel's film schedule was reduced by half[183], while the package was revamped and the art-house orientation of the films was nixed which resulted in Serebrennikov leaving the programme) – Thursdays, broadcast at night;
- Kult Kino (Cult Cinema) with the film critic Kirill Razlogov (TV channel Russia K) – Sundays, (after 10:30 PM)[184];
- Modnoye kino (Trendy Cinema) with Nadezhda Rodionova (STS) – Saturdays (after 11 PM)[185];
- Zakrytiy pokaz (Closed screening) with the well-known journalist and film director Alexander Gordon (Channel One Russia) – Fridays (after 11 PM), not shown every week[186],
- Legendy video (Video Legends) with actor/producer Sergei Zhigunov (NTV) – Saturdays (after 10 PM).[187]

However, these programmes are not broadcast with much regularity; in 2010, only Trendy Cinema and Cult Cinema were weekly events, while Closed Screening and Legends of Video were shown less than ten times in the first half of the year, despite their high ratings.

[183] According to TNS Russia, in 2006 films on TV3 made up 71% of programming, in 2007–54%, and in 2008–around 30%.
[184] http://www.tvkultura.ru/page.html?cid=726
[185] http://www.ctc-tv.ru/rus/projects/tvproject/98916/index.phtml
[186] http://www.1tv.ru/sprojects_in_detail/si=5730
[187] http://www.sergeyzhigunov.com/projects/legendy-video-s-sergeem-zhigunovym.html

Average audience share and rating for specialized film blocks on direct broadcast channels in Russian cities with a population of more than 100,000 (01 January 2005 to 30 June 2010, audience age 4+ years)



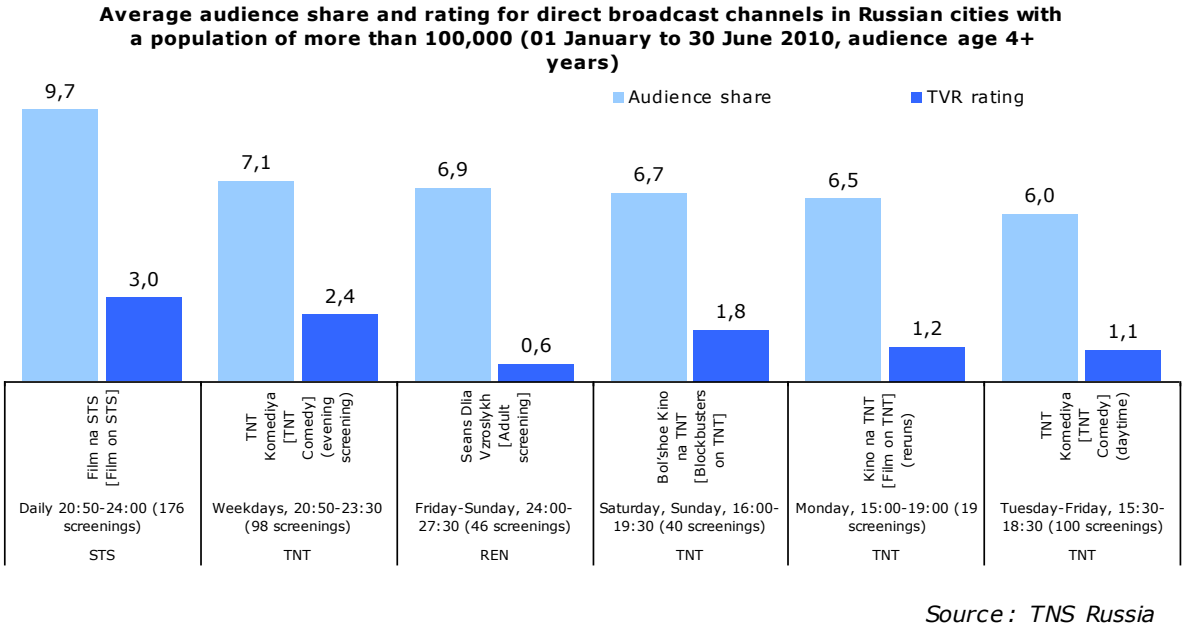
* film exhibition only, not including film discussions

Source : TNS

Figure 74. Average audience share and ratings for specialised cinema programme packages on terrestrial TV channels

The most well-known *regular* cinema programme packages intended for a wide audience are the following:

- Movies on STS – evening broadcasts (10 PM) during the week and (9 PM) on Fridays, Saturdays and Sundays;
- TNT Comedy – evening broadcasts (9 or 10 PM) during the week, repeating the following afternoon (3:30-6:30 PM);
- The Big Film on TNT – afternoon broadcasts on the weekend (4 and 7:30 PM), repeating on Mondays (3-7 PM);
- Adults Only on REN – night-time screenings of erotic films (the only such programme on the whole of Russian terrestrial television), Fridays to Sundays (after 12:30 AM).



Source: TNS Russia

Figure 75. Average audience share and ratings for unspecialised film screenings on terrestrial televisions

However, the majority of films are shown on terrestrial stations without being part of a special programme package and are not broadcast during these fixed slots (primarily in the evening during the week, and afternoon and evening at the weekend). Russia is no exception to the recent worldwide trend of showing full-length foreign feature films at later and later times, shifting from prime time to midnight and later.

Traditionally, the films with the highest television broadcast ratings based on yearly data are those shown on Russia 1 and Channel 1, which have the most thorough coverage and far-ranging signal across the country. The majority of the highest-rating films – 50% of the top twenty films from 2005-2010 – were broadcast on the weekends (Saturday and Sunday) or on holidays (the most "television-oriented" of which are: the New Year Holidays, International Women's Day, Victory Day, and Day of National Unity). In addition, 85% of the most popular films among audiences were broadcast during prime time, after 6 PM.

It is interesting to look at the distribution of top-ranked films by country of origin as well as by content type[188]: the leading categories of film during the period studied were Russian films (56%) and films that had been released in Russia (39%), which have usually been recently premiered.

[188] Experts from Nevafilm have outlined several categories of content: a theatrically-released film is considered to be a film that has had a Russian theatrical release; a Soviet film is a full-length feature film that was released in the Soviet Union; a TV movie is a full-length feature film that has been made specifically to be shown on television; and a TV series is a dramatic TV serial (defined by length of broadcast).

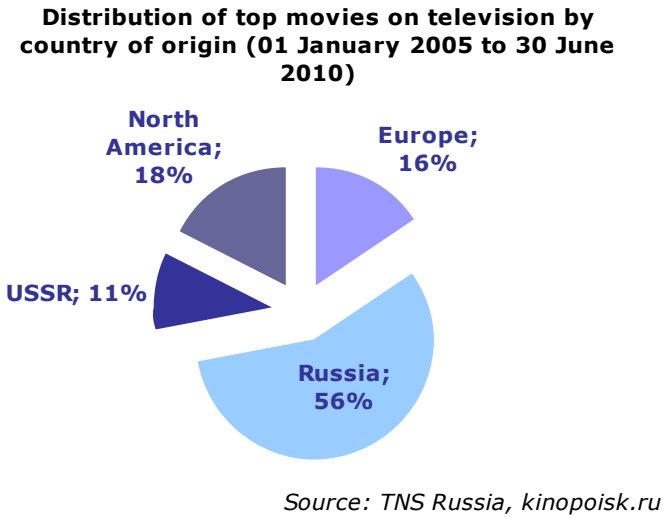


Figure 76. Top-ranking films on Russian TV by country of origin (average for 2005-2010)

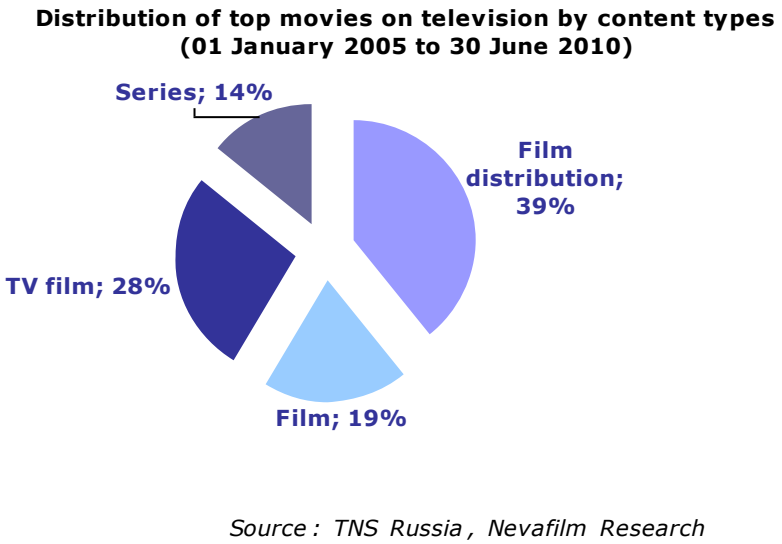
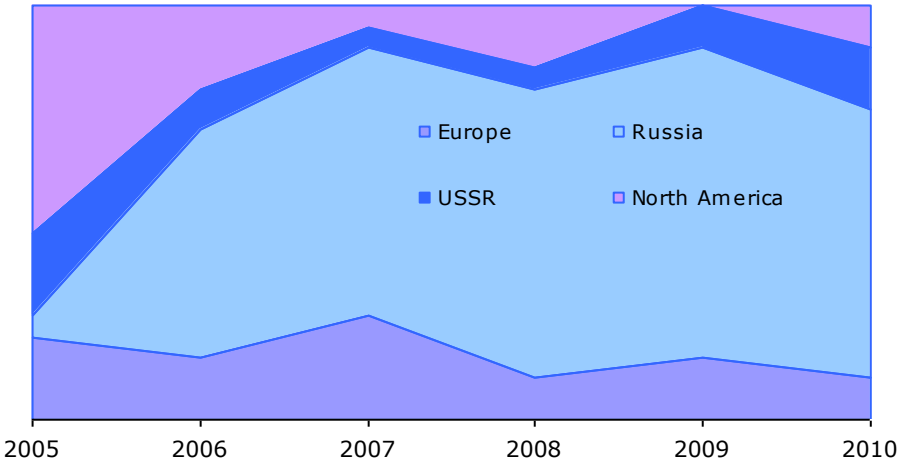


Figure 77. Top-ranking films broadcast on Russian TV by type of content (average for 2005-2010)

However, if we turn our attention to a breakdown of trends for the highest-ranking films, then a distinct paradigm shift in TV viewing becomes apparent over the last couple of years. In 2006, movies from North America went from making up 55% of the top twenty highest-ranking films to a lowly 10%, due to the rise in the share held by domestic films, which increased from 5 to 70%. Moreover, the share enjoyed by European films (including co-productions with the USA) and Soviet films dropped less significantly, from 20 to 10%.

Trends in distribution of top movies on television by country of origin (01 January 2005 to 30 June 2010)

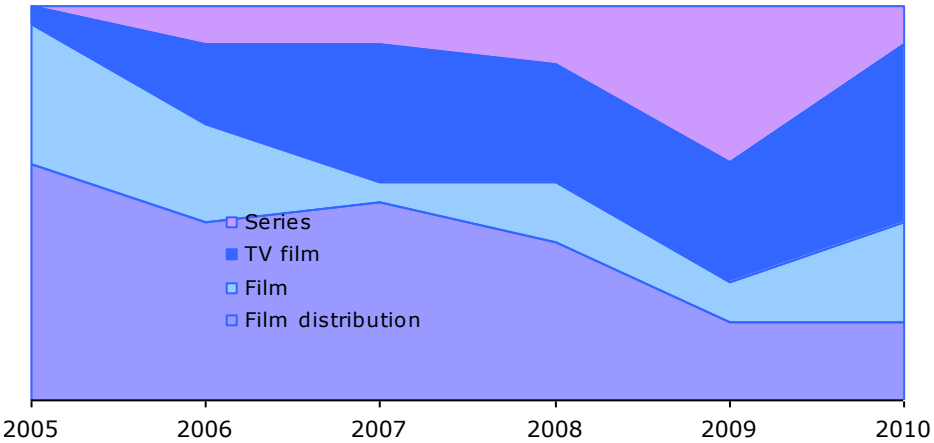


Source: TNS Russia, kinopoisk.ru

Figure 78. Trends among top-ranking films on Russian TV organized by country of origin (2005-2010)

Similar changes were seen in the levels of popularity for different types of film content. The share of theatrically released films in the top twenty highest-rated films dropped over the last five years from 60 to 20%, while the share of TV movies jumped from 0 to 45%. The latter were in strong competition with TV series, which made up 0% of the top twenty list in 2005 and 40% in 2009 (over the first half of 2010–10%). The popularity of classic movies changed less significantly, with their share dropping from 35 to 25%.

Trends in distribution of top movies on television by content types (01 January 2005 to 30 June 2010)



Source: TNS Russia, Russia Research

Figure 79. Trends in top-ranking films on Russian TV, organized by type of content (2005-2010)

These changes in viewer preference were reinforced by changes in television broadcast programming, particularly on the state TV channel Russia 1, which launched a series of modern domestic films at weekend evening prime time slots in 2007. TV series that have been produced and purchased domestically in Russia were broadcast in increasing numbers.

Since 2002 three TV channels – Russia 1, NTV, and REN have eliminated or reduced their broadcast of American shows, concentrating instead on the domestic production of TV series. In 2005 the number of domestic TV series broadcast exceeded all other content, and since 2006 Russian TV series have dominated the airwaves.[189] In addition, domestic theatrical releases began to produce very high ratings on the day of their TV premiere.[190]

Table 39. Top 20 films on Russian terrestrial television (01 January 2005 - 30 June 2010)

Rank	Title	Type	Origin of production	TVR, Rating[191]	Share[192]	TV channel
2005						
1	Moscow Doesn't Believe in Tears	film	USSR	15.6	36.9	Channel One
2	The Lord of the Rings: The Fellowship of the Ring	film distribution	USA, New Zealand	15.6	35.1	Russia 1
3	Harry Potter and the Sorcerer's Stone	film distribution	USA, UK	14.6	36.1	Russia 1
4	Pirates of the Caribbean. Curse of the Black Pearl	film distribution	USA	14.2	40.5	Channel One
5	Anna and the King	film distribution	USA	13.9	33.2	Channel One
6	Spiderman	film distribution	USA	13.9	38.7	Channel One
7	Ironiya Sud'by, ili s Legkim Parom [The Irony of Fate, or Enjoy Your Bath!]	film	USSR	13.9	41.9	Channel One
8	Moscow Doesn't Believe in Tears	film	USSR	13.6	34.3	Channel One
9	The Lord of the Rings: The Two Towers	film distribution	USA, New Zealand, Germany	13.2	42.7	Russia 1
10	Titanic	film distribution	USA	13.0	31.2	Channel One
11	Enough	film distribution	USA	12.7	43.0	Channel One
12	Men of Honour	film	USA	12.6	35.3	Channel One
13	The Lord of the Rings: The Fellowship of the Ring	film distribution	USA, New Zealand	12.6	34.5	Russia 1
14	The Scorpion King	film distribution	Germany, USA, Belgium	12.4	32.6	Channel One
15	Doctor Doolittle	film	USA	12.3	30.3	Channel One
16	Home Alone	film	USA	12.1	29.5	Channel One
17	Moscow Doesn't Believe in Tears	film	USSR	12.0	37.0	Russia 1
18	Diversant [The Saboteur]	TV movie	Russia	12.0	41.7	Channel One
19	Van Helsing	film distribution	USA, Czech Republic	12.0	34.7	Channel One
20	Titanic	film distribution	USA	11.8	29.7	Channel One
2006						
1	9th Company	film distribution	Russia	19.7	51.7	Channel One
2	Ohota na Piranyu [Hunting For Piranha]	series	Russia	16.6	38.7	Russia 1
3	The Turkish Gambit	film distribution	Russia, Bulgaria	16.4	39.6	Channel One
4	Taiskiy Voyazh Stepanicha [Stepanich's Thai Voyage]	TV movie	Russia	16.3	42.2	Channel One
5	Terminator 3: Rise of the Machines	film distribution	Germany, USA, Great Britain	15.1	38.2	Channel One
6	Transporter	film distribution	USA, France	12.8	35.3	Channel One

[189] Russian television: industry and business. Video International research centre, Moscow, 2010.
[190] Николай Ларионов. От кино до ТВ, или война за зрителя // Бюллетень кинопрокатчика, №11 (52), ноябрь 2010 г. [Nikolay Larionov. "From the Cinema to the TV, or The War for the Viewer", *Booker's Bulletin* №11 (52), November 2010]
[191] Rating – percentage of the country's population watching a given TV event.
[192] Share – percentage of television viewers at the time of broadcast that are tuned in to the given TV event.

Rank	Title	Type	Origin of production	TVR, Rating[191]	Share[192]	TV channel
7	Ohota na Piranyu [Hunting for Piranha]	series	Russia	12.6	32.6	Russia 1
8	Home Alone 2	film	USA	12.6	32.2	Channel One
9	The Pacifier	film distribution	USA, Canada	12.2	34.0	Channel One
10	Pretty Woman	film	USA	12.1	34.1	Channel One
11	Diversant [The Saboteur]	TV movie	Russia	11.5	47.0	Channel One
12	Prodaetsia dacha [Dacha for Sale]	TV movie	Russia	11.5	29.0	Channel One
13	Harry Potter and the Chamber of Secrets	film distribution	USA, UK	11.5	30.4	Russia 1
14	Moscow Doesn't Believe in Tears	film	USSR	11.2	37.4	Channel One
15	Perviy Posle Boga [The First After God]	film distribution	Russia	11.0	34.6	Russia 1
16	Zvezda [Star]	film distribution	Russia	10.7	38.5	Channel One
17	Zharkii noyabr [Hot November]	TV movie	Russia	10.7	29.3	Russia 1
18	Ivan Vasilievich: Back to the Future	film	USSR	10.7	28.6	Russia 1
19	Six Days Seven Nights	film	USA	10.7	31.1	Channel One
20	The Italian	film distribution	Russia	10.6	28.0	Channel One
2007						
1	Ostrov [The Island]	film distribution	Russia	17.9	40.4	Russia 1
2	Zhivoy [Alive]	film distribution	Russia	14.7	40.7	Channel One
3	The Lord of the Rings: the Return of the King	film distribution	USA, New Zealand, Germany	13.8	33.3	Russia 1
4	Karnaval'naia Noch'-2, ili 50 Let Spustia [Carnival Night 2, or 50 Years Later]	TV movie	Russia	13.5	37.3	Channel One
5	Harry Potter and the Prisoner of Azkaban	film distribution	USA, UK	13.4	34.8	Russia 1
6	Troy	film distribution	USA, Malta, UK	13.1	32.2	Russia 1
7	Doyarka iz Khatsapetovki [The Milkmaid from Khatsopetovka,]	series	Russia	12.5	33.0	Russia 1
8	Flesh.ka	film distribution	Russia	12.1	31.0	Channel One
9	Nezhny Bars [The Tender Panther]	series	Russia	12.0	29.6	Russia 1
10	Paradise	TV movie	Russia	11.4	28.7	Channel One
11	Zhenskaia intuitsiia 2 [Female Intuition 2]	TV movie	Russia	11.2	33.7	Russia 1
12	V Boy idut odni stariki [Only Old Men are Going to Battle]	film	USSR	11.1	34.3	Channel One
13	Harry Potter and the Sorcerer's Stone	film distribution	USA, UK	11.0	29.8	Russia 1
14	Varen'ka	TV movie	Russia	11.0	30.5	Russia 1
15	Harry Potter and the Chamber of Secrets	film distribution	USA, UK, Germany	10.7	29.2	Russia 1
16	Nevesta [The Bride]	TV movie	Russia	10.5	27.2	Russia 1
17	The Turkish Gambit	film distribution	Russia, Bulgaria	10.5	32.5	Channel One
18	Zhenskaia intuitsiya 2 [Female Intuition 2]	TV movie	Russia	10.4	28.0	Russia 1
19	Pirates of the Caribbean	film distribution	USA	10.4	24.9	Channel One Russia
20	Ispanskiy voyazh Stepanicha [Stepanich's Spanish Voyage]	TV movie	Russia	10.2	25.5	Channel One
2008						
1	Pirates of the Caribbean: Dead Man's Chest	film distribution	USA	13.1	33.9	Channel One Russia
2	Tam, Gde Zhivet Liubov' [The Place Where Love Lives]	TV movie	Ukraine	12.3	33.3	Channel One

Rank	Title	Type	Origin of production	TVR, Rating[191]	Share[192]	TV channel
3	Belaia Noch Nezhnaia Noch [White Night, Tender Night]	series	Russia	12.0	33.5	Channel One Russia
4	V Iyune 41-go [June 1941]	TV movie	Russia	11.9	38.7	Channel One Russia
5	Pirates of the Caribbean. Curse of the Black Pearl	film distribution	USA	11.8	28.5	Channel One Russia
6	Doyarka iz Khatsapetovki [The Milkmaid from Khatsapetovka]	series	Russia	11.8	32.5	Russia 1
7	Vanechka	film distribution	Russia	11.7	28.4	Russia 1
8	Belaia Noch Nezhnaia Noch [White Night, Tender Night]	TV movie	Russia	11.6	32.1	Channel One
9	Glyanets	film distribution	Russia	11.1	30.2	Russia 1
10	Zolotaya Rybka [The Golden Fish]	TV movie	Russia	11.1	28.0	Russia 1
11	My iz buduschego [We are from the Future]	film distribution	Russia	11.1	33.2	Russia 1
12	Mongol	film distribution	Kazakhstan, Russia, Mongolia, Germany	10.8	27.2	Russia 1
13	Bomzhikha [Homeless Woman]	TV movie	Russia	10.7	26.6	NTV
14	Leshii [Wood Sprite]	TV movie	Russia	10.5	30.7	Russia 1
15	1612	film distribution	Russia	10.4	26.7	Channel One
16	Ivan Vasilievich: Back to the Future	film	USSR	10.1	27.6	Russia 1
17	Pretty Woman	film	USA	10.0	29.9	Channel One
18	Lyubov' na ostrie nozha [Love on a Knife's Edge]	film	Russia	9.8	27.3	Russia 1
19	Ohota na Piranyu [Hunting for Piranha]	film distribution	Russia	9.8	24.8	Russia 1
20	Vorozheia [The Wise Woman]	series	Ukraine	9.7	29.6	Russia 1
2009						
1	Kliuchi ot schast'ia [The Keys to Happiness]	series	Russia	13.1	34.3	Russia 1
2	Slumdog Millionaire	film distribution	Great Britain	12.7	34.2	Channel One
3	Varen'ka. Naperekor sud'be [Varenka. In Spite of Fate]	series	Russia	12.1	32.8	Russia 1
4	Krov' ne voda [Blood is not Water]	series	Russia	11.3	29.9	Russia 1
5	V Boy Idut Odni Stariki [Only the Old Men are Going into Battle]	film	USSR	11.1	37.3	Channel One
6	Dom s Siurprizom [The House with the Surprise]	series	Russia	11.1	29.9	Russia 1
7	Ironiya Sud'by, ili s Legkim Parom [The Irony of Fate, or Enjoy Your Bath!]	film	USSR	10.7	28.8	Channel One
8	Realniy papa [Real Dad]	film distribution	Russia	10.6	28.0	Russia 1
9	Pirates of the Caribbean. At World's End	film distribution	UK, USA	10.5	27.1	Channel One
10	Varen'ka. Naperekor sud'be [Varenka. In Spite of Fate]	series	Russia	10.4	28.1	Russia 1
11	Noch' Zakrytykh Dverey [The Night of the Closed Doors]	TV movie	Russia	10.3	30.4	Russia 1
12	Noch' Zakrytykh Dverey [The Night of the Closed Doors]	TV movie	Russia, Ukraine	10.1	28.2	Russia 1
13	Taras Bulba	film distribution	Russia	10.1	27.0	Russia 1
14	Leshii-2 [Wood Sprite 2]	TV movie	Russia	10.0	32.2	Russia 1
15	Ryabiny Grozdya Alye [Clusters of Scarlet Rowanberries]	TV movie	Ukraine	10.0	26.3	Russia 1
16	Guvernantka [The Governess]	TV movie	Russia	9.9	26.1	Russia 1
17	Ia Budu Zhit'! [I Will Live!]	TV movie	Russia	9.9	25.3	Russia 1
18	Kogda My Byli Schastlivy [When We Were Happy]	series	Russia	9.9	26.7	Russia 1

Rank	Title	Type	Origin of production	TVR, Rating[191]	Share[192]	TV channel
19	Doyarka iz Khatsapetovki [The Milkmaid from Khatsapetovka]	series	Russia	9.8	27.5	Russia 1
20	Moi [My]	series	Russia	9.8	28.6	Russia 1
01 January - 30 June 2010						
1	Ironiya Sudby. Prodolzhenie [Irony of Fate 2]	film distribution	Russia	14.3	36.0	Channel One
2	Pretty Woman	film	USA	10.9	28.5	Channel One
3	Zolushka [Cinderella]	film	Russia	9.8	31.9	Channel One
4	Na Kraju Stoju [I am Standing on the Edge]	film distribution	Russia	9.4	31.3	Channel One
5	Nastoyashchaya Liubov' [True Love]	TV movie	Russia	9.1	24.3	Russia 1
6	Terapiya Liubov'iu [Love Therapy]	TV movie	Russia	9.0	25.2	Russia 1
7	Tuman [The Fog]	TV movie	Russia	8.9	34.4	Channel One
8	Ishchu Tebia [I am Looking for You]	TV movie	Russia	8.7	23.8	Russia 1
9	Doyarka iz Khatsapetovki [The Milkmaid from Khatsapetovka]	series	Russia	8.7	28.6	Russia 1
10	Chronicles of Narnia: Prince Caspian	film distribution	USA, UK	8.5	21.7	Channel One
11	Posledniy Kordon [The Last Border]	series	Russia, Ukraine	8.4	23.0	Russia 1
12	Vopreki Zdravomu Smyslu [Against All Common Sense]	TV movie	Russia, Ukraine	8.3	22.1	Russia 1
13	Lyubov' i Golubi [Love and Pigeons]	film	USSR	8.3	29.4	Russia 1
14	Privet, Kinder! [Hello, Children!]	TV movie	Russia	8.3	24.3	Channel One
15	Die Hard 4	film distribution	USA, UK	8.2	23.4	Channel One
16	Pretty Woman	film	USA	8.1	23.2	Channel One
17	Kidnapping Caucasian Style [Kavkazskaia Plennitsa, ili Novye Prikliucheniia Shurika]	film	USSR	8.1	25.5	Channel One Russia
18	Zhelanie [Desire]	TV movie	Russia	8.1	21.8	Channel One Russia
19	Muzhchina v Moey Golove [A Man in My Head]	TV movie	Russia	8.1	23.1	Channel One Russia
20	Samaya schastlivaya [The Happiest Woman]	TV movie	Russia	8.0	22.6	Russia 1

Source: TNS TV Index Russia (for all viewers over 4 years old, for the whole of Russia – cities with populations of 100,000 and up) country of origin – kinopoisk.ru; type of film – Nevafilm Research

3.3.1.2 Non-terrestrial TV

The term "non-terrestrial television channels" in Russia can be applied to both Russian and foreign channels that broadcast within the Russian Federation via cable, satellite, and IPTV, without the use of terrestrial broadcast stations.

Subscription television operators play an important role in Russia. Not only do they offer viewers packages of subscription TV channels and various extra services (telephone connections, Internet, interactive services, and so on), but they also complement the traditional analogue television broadcast system. Many cities and regions of Russia get poor reception, and the number of supplementary subscription TV channels offered in Russian operators' packages are often a secondary option – only in recent years has the pay TV market started to develop in the same way as the western model and the number of non-terrestrial TV channels has started to grow.[193] Infrastructure for the distribution of non-terrestrial television channels – cable and satellite systems began to develop in Russia back in the late 1980s.

In 1989, the Ministry of Household and Community Services and its collective television reception network was abolished, and the government began creating **cable television networks**, equipped with VCRs, that enabled the transmission of additional video programmes. Consequently, neighbourhood studios began to be organized everywhere, which used their proprietary networks to broadcast local news and created

[193] Russian television: industry and business. Video International research centre, Moscow, 2010.

varied, informative, educational, musical, children's and other programming.[194] In the early stages, domestic cable operators offered their services to users for free or very affordably, rebroadcasting foreign satellite channels or playing films on video. Generally speaking, the operators of cable TV paid no more mind to copyright laws than the owners of the era's video clubs, as Russia did not sign the Bern Convention on the Preservation of Literary and Artistic Works until 13 March 1995. A lack of proper equipment meant that the image quality on cable networks was fairly poor, although as the technical resources developed, it became possible to offer multi-programme cable for thousands of subscribers at a time, and the smaller carriers began to merge with larger companies.[195]

Kosmos TV emerged in Moscow in 1991, rebroadcasting satellite TV channels from around the world to their own subscribers in the MMDS format.[196, 197] The first company to offer Russians **satellite television**[198] was NTV Plus, but the first analogue channel to be broadcast was Nashe Kino on 01 September 1996. In 1997 NTV Plus's signal was encoded for broadcast via the Bonum 1 satellite. In February 1999, the TV company NTV Plus transferred from an analogue broadcast system to a digital one, allowing them to increase the number of channels broadcast from 5 to 50. On 25 May 2000 a second satellite, Eutelsat-W 4, was launched, allowing them to enlarge their coverage area. In 2005 the TV company NTV Plus was the first company in Russia to begin broadcasting films on proprietary channels with Dolby Digital 5.1 sound. In April 2007 NTV Plus was again a trendsetter, this time being the first to launch a commercial HDTV channel.[199] This was a reaction to the emergence in Russia of two serious competing satellite broadcasters – Tricolor and Orion Express, offering prices 4-10 times lower than NTV Plus. Since 2009 the Gazprom Media holding has been in the process of acquiring the National Satellite Company (the Tricolor brand). Gazprom Media already has a 100% share of NTV Plus, which means that these competing firms might both end up with the same owner by the end of 2010. The deal was already slated to be approved by the Federal Antimonopoly Service, but the details of the merger have yet to be determined.[200]

3D broadcasting has also come to Russia in 2010. On 22 May NTV Plus carried a live 3D broadcast of the UEFA Champions League final between Bayern Munich and Inter Milan to all of the operator's subscribers with certified HD receivers, 3D televisions and glasses. In addition, a screening of the event was organised in cooperation with Karo Film on the big screen at the October Cinema in Moscow.[201] Since 15 October 2010 there have been regular broadcasts on the 3D channel "NTV Plus 3D by Panasonic".[202] Other market players in Russia have also shown interest in 3D broadcasting. Platforma HD announced similar plans in February 2010, promising a wide selection of programming, including films, entertainment shows, and sports broadcasts[203]; and in May the cable operator Akado announced plans for 3D broadcasts as part of their pay-per-view programme "Domashniy kinozal" ("Home Cinema")[204]; lastly, the Russian channel Ocean TV made its first 3D screenings in June of this year, offering viewers the first series of "Podvodnoe 3D-puteshestvie" ("3D underwater journey").[205]

The third and last method for delivering non-terrestrial TV content to viewers – IPTV – has been active in Russia for almost a decade. Finally, the third method for delivering non-terrestrial TV channels to viewers – IPTV – has already been active in Russia for almost a

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[194] http://www.dominanta.spb.ru/cabel_tv/?PAGEN_1=2
[195] http://www.rtatel.ru/9-1-kabelnoetelevidenie.html
[196] The MMDS (Multichannel Multipoint Distribution System) is an aboveground TV broadcast system that does not use cables. In some ways it resembles a satellite TV broadcast system, with the main difference being that the repeater is located on the ground (according to material from http://broadcasting.ru).
[197] Russian television: industry and business. Video International research centre, Moscow, 2010.
[198] For a list of satellites broadcasting in the Russian Federation, see Table 11.
[199] http://www.ntvplus.ru/w/about/history/2008.xl
[200] Валерий Кодачигов, Ирина Резник. «НТВ плюс Триколор», «*Ведомости*», 11.08.2010 г. [Valery Kodachigov, Irina Reznik. "NTV Plus Tricolor", *Vedomosti*, 11 August 2010]
[201] http://www.ntvplus.ru/about/news.xl?id=42085
[202] http://www.ntvplus.ru/about/news.xl?id=44633
[203] «Открытие первого на территории России и Восточной Европы цифрового спутникового 3D-вещания», 03.01.2010 г. http://www.platformahd.ru/news_219.htm ["The First Digital 3D Satellite Broadcasts in Eastern Europe and Russia" / 03 January 2010 http://www.platformahd.ru/news_219.htm].
[204] «АКАДО и Samsung делают 3D-телевидение доступным уже сегодня», 11.05.2010 г. http://www.hifinews.ru/print/article/details/10830.htm ["AKADO and Samsung to Offer 3D Television Today" // 11 May 2010, http://www.hifinews.ru/print/article/details/10830.htm].
[205] «OCEAN-TV запустил регулярное 3D вещание», 08.06.2010 г. http://www.ocean-tv.su/news.php?id=288 ["OCEAN TV Starts Regular 3D Broadcasts") / 08 June 2010, http://www.ocean-tv.su/news.php?id=288].

decade. A spur to growth of these technologies in Russia was the significant fire on the Ostankino TV tower in 2000, when terrestrial broadcasters in and around Moscow were left without broadcast capabilities for several days. The first IPTV broadcasting project was started in 2001, when the Pitersky Meridian TV channel was founded by the Komset and MediaStilz companies in St. Petersburg. The project lasted for exactly a year, until December 2002, and was not designed to bring in commercial profits, as the main goal was to test the transmission of programming over the Internet.[206] The first Russian commercial IPTV project was launched by the Stream TV Mass Media Systems brand in September 2005, in Moscow.[207] The following carriers are developing IPTV programmes: the Svyazinvest telecom holding, ER-Telecom, Comstar OTS, and Multregion, the National Telecommunications group, Norilsk Telecom, Vympelkom, Komkor, and others.

According to figures from the Russian Cable Television Association, there were a total of 1450 cable TV operators in Russia in 2009, of which around 100 companies were members of the association. In the pay TV sector, cable TV currently leads in terms of the number of its subscribers. The Russian Cable Television Association estimates that in 2010 there were 16.9 million users. Satellite TV trails cable by half, with 8.9 million subscribers, and IPTV operators have only 900,000 subscribers.[208] The overall number of users of pay TV in Russia comes to 26.7 million households (50.7% of households in the country or 68.1% of households in cities).

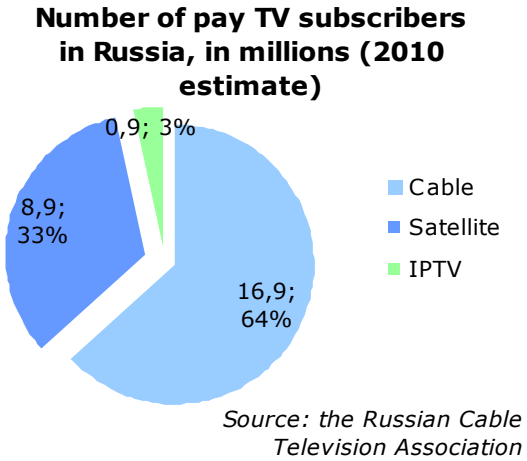


Figure 80. The number of users of pay TV in Russia by market segment

According to data from J'son & Partners Consulting, the largest companies offering non-terrestrial subscription-based TV services are Tricolor TV (currently leading in terms of subscriber numbers, but not in terms of profits – it is precisely because of its affordable base rates that the company is able to attract most of its subscribers), Comstar OTS (including the Comstar-managed Multregion network, and in July of 2010 these companies became part of the MTS holding), Divan TV (ER Telecom), NTV Plus, and Svyazinvest.[209] Tricolor TV and NTV Plus offer satellite TV services, while the remaining companies use cable and telecommunications networks to deliver their signals. In all, these 5 companies have about 36% of the pay TV market in terms of subscriber numbers, with 9.7 million households in 2010.

[206] http://www.corbina.ru/about/press_center/smi/2006/04/1073.html .
[207] According to data from the "Digital Television in Russia" study conducted by Groteck at the request of the European Audiovisual Observatory in 2007-2008.
[208] Российский рынок платного телевидения сегодня и завтра, доклад Ю. Припачкина, президента Ассоциации кабельного телевидения России на конференции «Цифровое телевидение и массовые коммуникации в России 2010 г.» 31.03.2010 г., http://www.aktr.ru ["The Russian Pay TV Market Tomorrow and Today", a report by Y. Pripachkin, President of the Russian Cable Television Association, read at a conference *Digital Television and Mass Communication in Russia*, 2010), 31 March 2010, http://www.aktr.ru].
[209] Елена Зленко. «Телевидение разморозилось», «*РБК Daily*», №155/618, 12.10.2010 г. [Elena Zlenko. "Television Thaws Out", *RBC Daily*, №155/618, 12 October 2010].

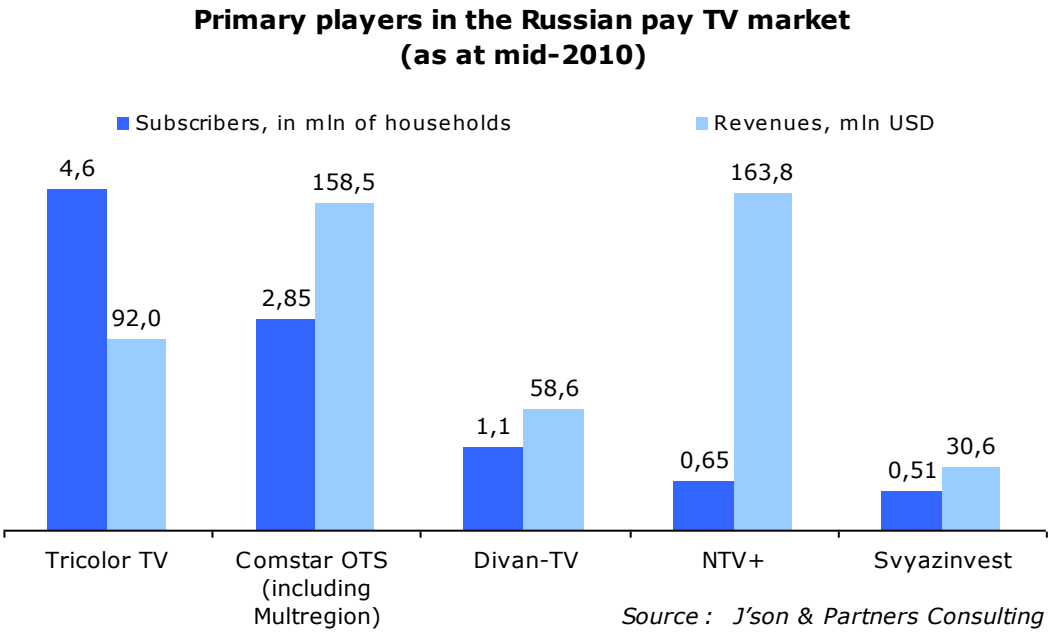


Figure 81. Principal market players in the pay TV market in Russia (H1 2010)

Analysts from J'son & Partners Consulting suggest that the subscriber base for pay TV in Russia will grow, and report that by the end of the year it will have increased by 13% on 2009 levels, which is due to a steady demand for non-terrestrial television and the market's recovery following the crisis.[210]

The prospects for the development of non-terrestrial TV infrastructure include the following elements:

– the completion in 2015 of the transition to digital broadcasting, which will enable an expansion of terrestrial and satellite channels, but which might also cause several free terrestrial channels from the 2nd and 3rd multiplexes to join the ranks of pay TV operators (to help pay for the transition to digital broadcasting without funding from the federal budget);

– the future development of the pay TV market and carriers that offer various technical means for the transmission of TV signals, including television on mobile devices.

– the expansion of new consumer habits with regards to television (primarily the opportunities for watching TV via a computer or the Internet, as well as other screens and equipment). According to data from the Video International research centre, in 2009 these alternative methods of TV consumption were being used by 25% of the adult urban population in Russia (over 15 years of age), while 9% of those surveyed watch TV programs on a computer monitor (6% via the Internet, 3% with the use of a TV tuner).[211]

Video International has estimated that the overall number of TV channels broadcasting on cable, satellite, and IPTV networks comes to about 230, although these numbers are constantly changing.[212] Russia has a wide range of non-terrestrial TV channels, which differ from each other in the following ways:

- country of origin (in 2009, 45% were foreign, but the majority of these had been localized – translated into Russian and with Russian advertising, etc.);

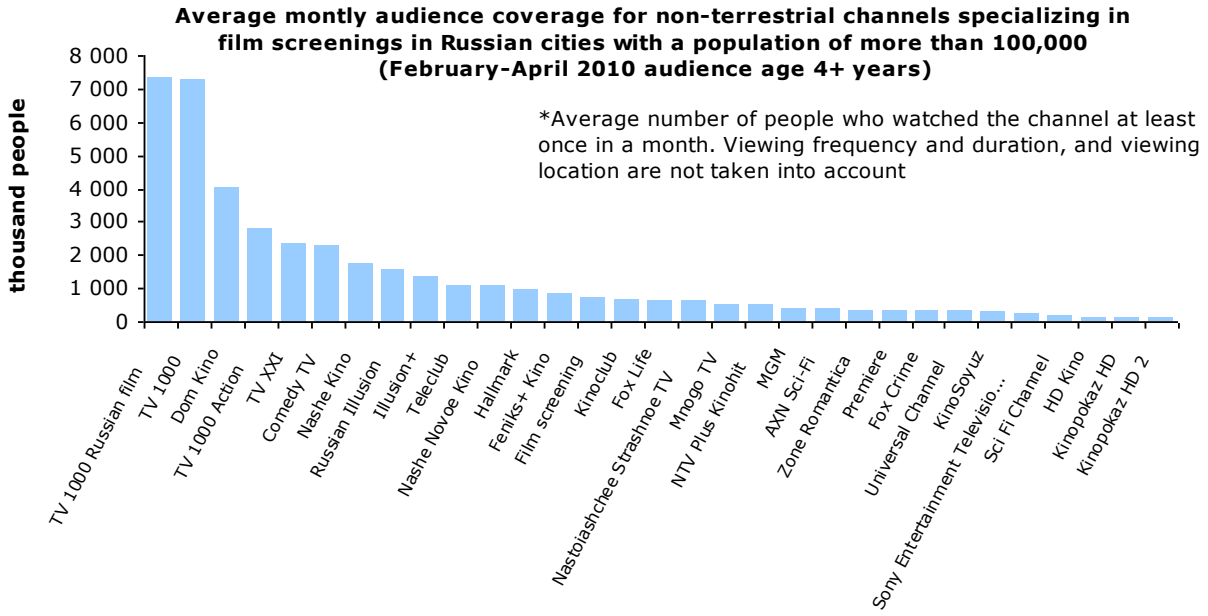
- language of broadcast (the percentage of non-terrestrial TV channels broadcasting in Russian was 80% in 2009);

- the conditions attached to distribution (paid or nearly free programming – typically music, religious and ethnic minority TV channels, teleshopping, and likewise educational channels (the TV channel "Mat' i ditia" ["Mother and Child"], for example), current affairs and business news channels (RBK, Ekspert, Pro dengi). According to data from last year, the audience share enjoyed by free non-terrestrial TV came to 22%);

[210] Source as above.
[211] Russian television: industry and business. Video International research centre, Moscow, 2010.
[212] Source as above.

- broadcast format (the number of HD channels in Russia is growing; according to data from 2009 there were 14 of them, and the first 3D channels emerged in 2010);
- and finally genre and thematic focus.[213]

The non-terrestrial TV channels that stood out from the crowd were those that *specialize in theatrically released films and series* (domestically produced or imported content adapted for Russian audiences). A project by TNS Russia to evaluate the audiences for specialized channels on TV Index Plus counted 30 such channels, with the leaders in terms of market penetration being TV 1000 Russkoye kino, TV 100 (from Viasat) and Dom Kino (part of Channel 1 Russia's "Digital Family"). The average number of viewers who watched the first two channels at least once a month was 7 million from February to April, 2010 (11% of residents of cities in Russia with populations of over 100,000), one third – 4 million viewers (about 6% of the population of these major cities). Other channels specializing in films and TV series are watched at least once per month by 0.1 to 2.8 million viewers (0.1 - 4% of the population).



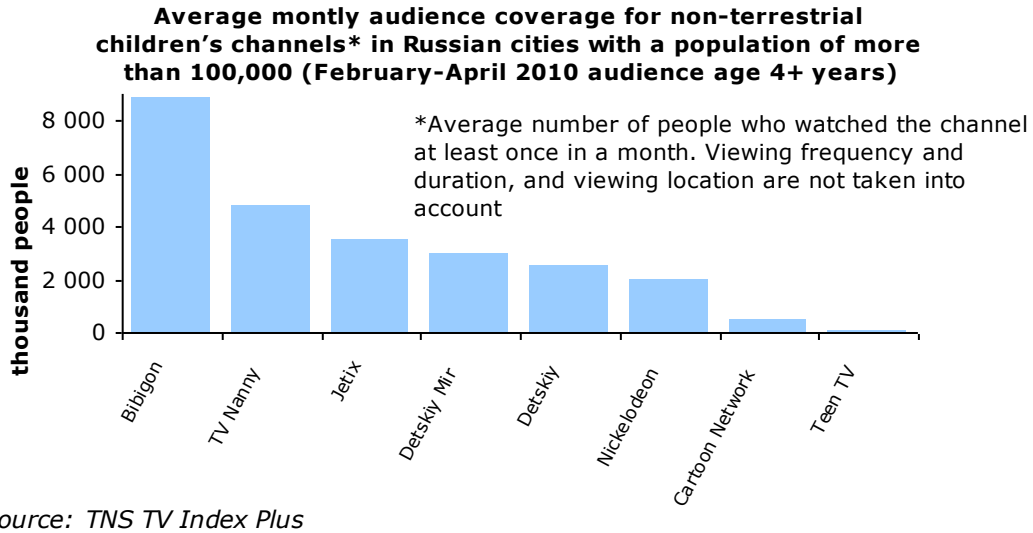
Source : TNS TV Index Plus

Figure 82. Audiences for non-terrestrial TV channels in Russia that specialize in films, 2010

Apart from these specialized channels intended for a wider audience, the other major client for film broadcasting is children's non-terrestrial TV channels. The largest of these was Bibigon, part of the VGTRK holding, with an overall average monthly audience of over 8 million (13.6% of residents in major cities), which is even higher than the viewers of the most popular channels specializing in cinema and serials. In accordance with the federal program whose aim is "the development of TV and radio broadcasting in the Russian Federation for 2009-2015", Bibigon and TV Nanny (part of Channel One's "Digital Family") served as the foundation for the new state terrestrial youth and children's TV channel Carousel, which started broadcasting on 27 December 2010.[214] Carousel is one of the channels to be included in the first multiplex in the transition to digital broadcasting. The Disney Channel started broadcasting in Russia in August of 2010, but the channel's audience figures are currently unavailable, since it was only included in TNS Russia's study in September-October 2010, and the data has yet to be published. Meanwhile, Disney Russia began broadcasting on the bandwidth of the Jetix channel, also owned by the Walt

[213] Source as above.
[214] By Presidential decree №715, signed 24 June 2009, "On obligatory freely accessible Russia-wide TV and radio channels"; Алексей Петров. Начал вещание телеканал «Карусель» // http://www.1tv.ru/news/social/167905 , 27.12.2010 г. [Alexey Petrov. "The new TV channel Carousel started broadcasting", http://www.1tv.ru/news/social/167905, 27 December 2010].

Disney corporation (some programs even remained the new channel's schedule)[215], and so this market newcomer was expected to hold on to its predecessor's ratings.



Source: TNS TV Index Plus

Figure 83. Audiences for children's non-terrestrial TV channels in Russia, 2010

3.3.2 New interactive media services (Pay-per-View, VoD and FVoD).

When referring to interactive services, we mean services offered by operators of non-terrestrial television (cable, satellite, IPTV, and mobile TV) as well as Internet resources and local networks (hotels, transportation companies). These services have begun to develop in the last decade with the improvement of technical capabilities and the emergence of new types of mass media (the so-called "new media"). There are currently three different methods of delivering these packages of services to users:

- download – the download of copies of content onto the user's equipment (set-top boxes or computers) to be viewed within a defined period of time;
- download to own, which is downloading without a time limit, where rights are granted for unlimited private screenings on the user's equipment (set top boxes, hard disks, or computers);
- streaming – the film is watched "online" (this type of service is typical for pay-per-view cable and satellite operators, as well as Internet-based operators).

A business model for these new services has already emerged, with two basic types of payment:

- user charge – payment is levied on the consumer; the rights holder receives royalties; but there are variations on this:
  - payment per unit – the acquisition of the right-to-view (possess) one unit of content;
  - subscription – unlimited access to content over the course of a specific period of time (with customer subscription to luxury rates for non-terrestrial TV);
- advertiser charge – the service is free to a user who "agrees" to watch an advertisement along with the chosen content; the channel operator receives proceeds from the advertiser and divides it with the rights holder.

This segment of the film production market remains in its early stages. It was in the mid-2000s that the first steps were taken towards creating such a market in Russia. The country now boasts approximately 30 operators of various types providing VoD services using a range of technologies. Most of these companies operate in the Internet services segment (16) and cable television (10 in IPTV), while mobile and satellite services remain less popular for the time being (2 and 1 operators, respectively).

[215] Based on the data from http://ru.wikipedia.org/wiki/Disney_Channel.

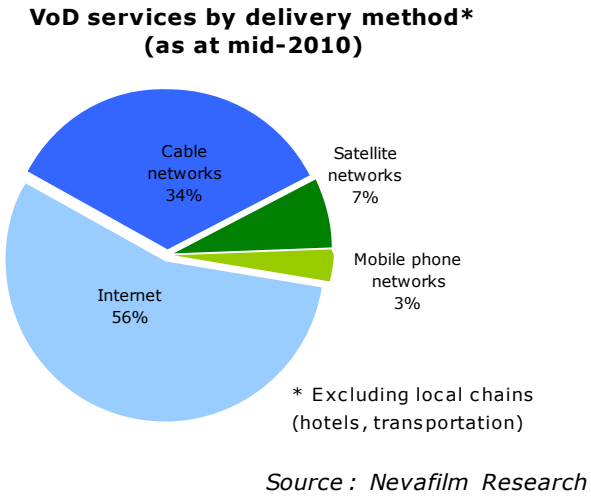


Figure 84. Operators of VoD services, by method of content delivery

Internet providers' domination of the VoD market is linked to the fact that this particular means of delivery grants more direct contact with the client and even allows for the monetization of content that the viewer pays no charge for. Nevertheless, many obstacles remain to the development of VoD services on the Internet in Russia. First of all, broadband access to the World Wide Web remains incomplete in Russia. There is also the fierce competition between licensed services and pirating sites, torrents, and file-sharing. As a result, the ongoing development of methods of reaching a larger segment of the population is neutralized by viewers switching over to pirated sources of content.

In all, according to information from TNS Web Index, since the autumn of 2009 the number of unique visitors to the Russian Internet (in cities with populations of over 100,000) came to more than 50% of viewers over the age of 12. According to data from the clearing house for the domain '.ru', the first half of 2010 saw monthly Internet audiences in Russia reach 43.3 million people. One of the key indices of the network's growth is the fact that weekly and daily audiences are steadily approaching monthly audiences, at 39.2 and 29.4 million, respectively. The average penetration of broadband Internet access reached 28% in Russia (14.5 million households). In Moscow penetration is at 74%, while the regions have only 24%; the main site of infrastructure construction is in the regions (in the first half of 2010 this market segment was responsible for 95% of new subscribers).[216]

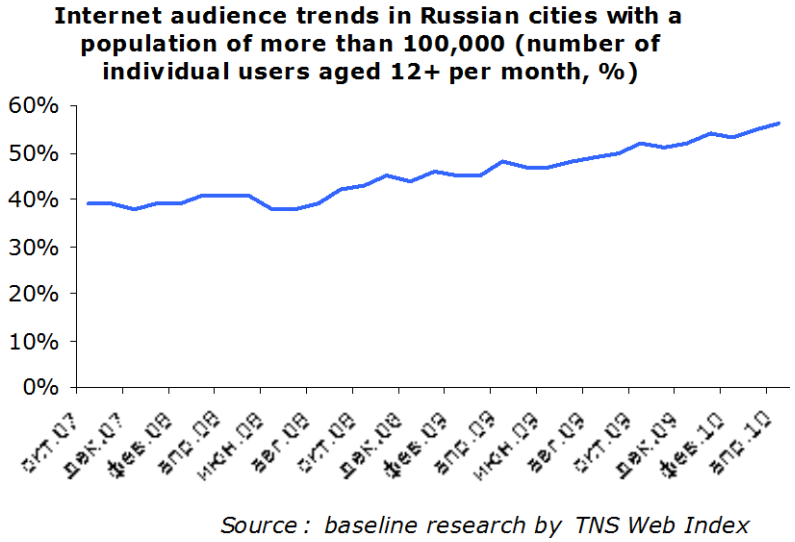
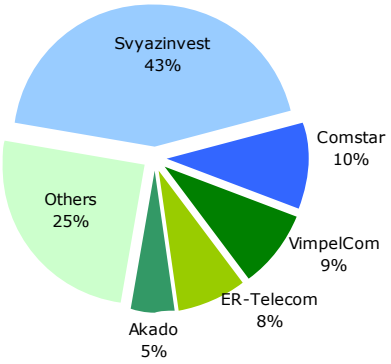


Figure 85. Trends in Internet penetration in Russia's major cities (2007-2010)

[216] Александр Малахов. «Интернет множит пользователей», «*Коммерсант*», №148/П, 16.08.2010 г. [Aleksandr Malakhov. "The Internet Multiplies its Users", *Kommersant*, №148/P, 16 August 2010]

The leading broadband providers are the largest communications holdings – Svyazinvest, Comstar, VimpelCom, ER-telecom, and Akado, which offer their users not only Internet access, cable services and IP-based television, but also various interactive services, including VoD.

Largest broadband Internet operators in Russia (mid 2010)



Source : AC&M-consulting, calculations by Vedomosti

Figure 86. Largest broadband Internet operators in Russia (mid 2010)

3.3.2.1 Services offered by cable and satellite television networks and fixed telephone line

VoD services are primarily offered via pay-per-view on cable and IPTV networks: Stream-Kino services were launched in the spring of 2005 (in September 2006 it was reorganised into classic VoD); in November 2006 Akado debuted its "Home Cinema" service (Domashnyi kinozal Akado). Satellite networks are developing these services as well. In September 2008 the satellite company NTV Plus released its Kinodrom service (initially on Kinoraces 1 and 2, now there are 3 such channels). In 2009 a service similar to pay-per-view went into commercial use on channels belonging to the satellite Internet provider StarBlazer, joining a group of companies called Race Communication. The Satellite Cinema service was offered to satellite dish owners using satellite Intelsat 905 and Express-AM33 (which covers almost all of Russia) and satellite receivers hooked up to computers where the operator would download 6 films per day, among which the user could then choose.[217] On 27 December 2010, pay-per-view services were finally launched by Tricolour-TV, Russia's largest satellite TV operator. The service offers four thematic channels which broadcast films in a revolving timetable. To watch the movies, viewers must pay RUB 10 per film.[218]

Since 2006 the major Russian cable IPTV operators began to offer their clients classic VoD services. In the spring, Catalogue Video debuted on the Korbina network (in mid-2009 the company was bought by VimpelCom; VideoteQa debuted in September 2000 on the QWERTY cable network; and since 2007 VoD services have been developing on regional cable networks belonging to the Svyazinvest holding (although not all cities served by the holding's companies are covered by this service[219]).

It's not easy to rate operators of cable, satellite, and IPTV networks that offer VoD and pay-per-view services, as information regarding the number of subscribers and users of these services is not always made available. We based our rating on information gathered from websites or official announcements made by the companies themselves. This analysis indicates that the market leader is the Stream TV network, which has 2 million subscriber accounts in and around Moscow, whereas the Stream-Kino service has 128,000 subscribers.

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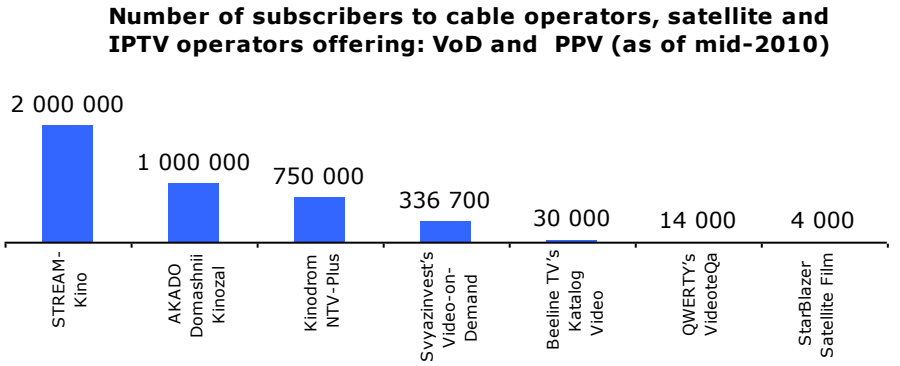
[217] «Кино покажет спутник», Валерий Кодачигов, «Ведомости», 25.01.2010 г. ["Satellites will Show Movies", Valery Kodachigov, *Vedomosti* 25 January 2010]

[218] Valery Kodachigov. "Trikolor khochet zarabotat'" ["Tricolour Wants to Make Money"], *Vedomosti*, 17 January 2011.

[219] The most active company in video-on-demand is the holding's Far East branch (part of the TVi service). However, in 2010 Svyazinvest began the process of reorganizing its divisions involved in video-on-demand on cable networks and the Internet. While each of the holding's divisions have developed their VoD programme independently and signed their own agreements directly with producers, the plan for 2010 is to turn over this authority to a single body which would provide all content to regional divisions all over Russia.

However, since the remaining companies do not provide information about their active VoD subscribers, we have only used the first figure. Also in the top 3 is Akado's Home Cinema (Domashniy kinozal) and NTV Plus's Kinodrom, which have a potential base of 750,000-1 million households. Coming in fourth place is Svyazinvest, whose six divisions that provide VoD services have brought more than 330,000 subscribers to the company, including the following: 120,000 from Utel TV (Ural Federal District), 81,000 from TVi (Far-East Federal District), 80,000 from Domolink TV (Central Federal District), 31,000 from Disel TV (South Federal District), 14,700 from Avangard TV (Northwestern Federal District) and 9700 from Twist (Siberian Federal District)). Beeline TV, a new TV provider in Russia's "two capitals" (the Moscow region and St. Petersburg) and Moscow's Qwerty (Central Telegraph) are in a distant 4th and 5th place in terms of user numbers. A new market player – the satellite Internet provider StarBlazer – is for the time being only providing preliminary data, with just 4-5000 subscribers after the first stages of implementation. According to Aleksei Vtorygin, the general director of Race Communication, their current project is targeting the residents of villages and small cities in the far North, where there is no broadband access to the Internet and file sharing services are unavailable.



Source : Nevafilm Research

Figure 87. Cable, satellite, and IPTV operators offering VoD, ranked by number of subscribers

3.3.2.2 Interactive services on the Internet and in mobile communications networks

At the same time that TV companies began introducing VoD services, prototype VoD services began to appear on the Internet with Internet stores offering movie downloads onto a PC for a set fee. The first of these sites was the online licensed video store Getmovies.ru (2006) followed closely by Video24.ru (which lasted from October 2007 to 2009). These projects were based on a user fee paid for each purchased film and were able to attract major rights holders almost immediately: the first focused on old Soviet films, and the second signed a contract with companies like Central Partnership and EA Cinema.[220] In 2009-2010 several more Internet sites appeared on the market, selling legal film content: Video.ru (representing the company Digital Video Network (DVN) summer 2009), Omlet.ru (MTS, autumn 2009), Cinema.Mosfilm.ru. (Mosfilm Film Concern, spring 2010). In March 2010, Videoliubitel' (representing popular Russian social networking sites like Vkontakte and Moi.mir@mail.ru, Mir tesen) and the portal Video.ru announced a programming platform cooperation agreement for the online streaming and downloading of licensed video content.[221] In addition, online VoD is offered by several non-terrestrial TV operators, duplicating the service of their TV network (Stream Kino and VideoteQa) or providing an expanded package of their services (VoD combined with pay-per-view on Kinodrom from NTV Plus). As early as in October 2010, Innova announced closed testing of a new multi-functional portal. It cost the company USD 1 million to develop this licensed content sale service, but the initial stage has already seen the new Ayyo.ru site collecting a large library

[220] Владимир Боровой. «Широкополосный прокат», «Коммерсант Business Guide», №95, 04.06.2008 г. [Vladimir Borovoy. "Broadband distribution", *Kommersant Business Guide*, №95, 04 June 2008.]
[221] Александр Малахов. В сетях нашелся «Видеолюбитель» // «Коммерсант», 15.03.2010 г. [Aleksandr Malakhov. "Videoliubitel' has Found its Place on the Networks", *Kommersant*, 15 March 2010

of Disney and Paramount films. Final talks with Warner Bros., Universal, and Sony Pictures are underway. The site's content will be sold to users as permanent downloads to their hard drives, or as streaming video available for two days.[222]

The Rambler.Kinozal program, offering free services for users of VoD on the Internet in Russia, went into development in September 2008, within the framework of new media strategies to expand advertising (banners and pop-up windows, etc.). The domain allowed users to download films for free (initially carrying episodes of shows from TNT like Nasha Rasha and Dom-2). It is worth noting that the preliminary plans for the opening of Rambler. Kinozal were publicized as early as March 2007, and the project was described as being a paid service for the downloading of films.[223] However on 01 March 2009 the Rambler.Kinozal project was brought to a halt following the departure of General Director Mark Opzoomer, who had been a great advocate of the creation of new services to expand media advertising on Rambler.ru.[224] It was at that moment, in 2009-2010, that free online VoD services reached their peak. In March 2009 the Uravo Group launched CCCP-tv.ru, immediately offering broadcasts of Soviet TV as well as a catalogue of full-length films (the films are currently missing from the site) and at the end of the year the company opened Uravo.tv, offering free access to a catalogue of full-length films, ranging from the earliest foreign and pre-revolutionary Russian silent cinema to Russian and foreign art-house films of the 2000s. In the summer of 2009 Technoinvest offered free VoD services to users of Tvigle.ru its site, having concluded a contract with Lenfilm Video. At the beginning of 2010 the Russian market for free, legal, online content began a period of serious expansion: On February 26 a company called Digital Access launched Ivi.ru, offering films from Central Partnership, Amedia, Soyuzmultfilm, Studio 2V, and signed another contract in April with Channel 1 Russia; in April the site TVZavr.ru was launched by a company called TiViZavr in collaboration with Central Partnership; and in June 2010, the Zoomby.ru website made its debut, having won the rights to libraries of programmes and serials from various TV channels and distributors (Central Partnership, Amedia, Kino Bez Granits [Cinema Without Borders], Top Film Distribution, VGTRK, REN, Channel 5, CTC Media, TVZ, Zvezda, TNT, Muz-TV and Moya Planeta). Finally, Russian TV channels have decided to go online in December 2010: on 16 December CTC Media holding launched the Videomore.ru portal, which constitutes a combination of a social network and a classic video service website (CTC representatives call their website a "social TV network"), where users have the opportunity to watch programmes and series featured by the holding's TV channels. In autumn 2011 VGTRK holding is planning to launch its own video portal.[225]

It is extremely difficult to make a quantitative estimation of the audience for specific online resources, as well as the volume of downloads and viewings that viewers have made in Russia, due to the closed nature of such information. Nevertheless, it is possible to establish a rating for licensed services as relative to each other; according to a company called LiveInternet, the market leaders are Tvigle.ru and Ivi.ru, although the former's high ratings might be explained by the fact that this site is primarily a social networking site with a long history (going back to 2007), and it cannot be entirely assumed that its overall traffic has any correlation to the take up of its FVoD. Until recently, Digital Access could have been considered the leading and most aggressive player on the legal video-on-demand market in Russia. However, Tvigle.ru shows no intention of giving up its position – in early November the company signed a major contract with Disney to host Desperate Housewives and The Ghost Whisperer, as well as other content from major studios, which all should increase the portal's popularity.[226] It's also interesting to note that in third place in these ratings is the free-to-users resource Video.ru, which indicates that – contrary to popular belief – free services do not always outscore paid services in terms of popularity. The fourth position is held by Zoombi.ru, which in autumn 2010 started to use a fairly aggressive promotional

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[222] "Innova anonsirovala magazin tsifrovogo kontenta AYYO" ("Innova announces its AYYO store of digital content") // http://www.inn.ru , 19 October 2010.

[223] Юлия Куликова, Александра Ходонова. «В рунете начнут крутить легальное кино», «*Коммерсант*», 14.03.2007 г. [Yulia Kulikova, Alexandra Khodonova. "Legal Movies Appear on the Russian Internet", *Kommersant*, 14 March 2007]

[224] Александры Малахов. Rambler Media потерял «друзей», «Коммерсант», 04.03.2009 г. [Aleksandr Malakhov. "Rambler Media has Lost its Friends", *Kommersant*, 04 March 2009

[225] Ксения Болецкая. Первый сетевой // «Ведомости», 16.12.2010 г. [Kseniya Botetskaya, "Channel One Online", *Vedomosti*, 16 December 2010]

[226] Екатерина Севрюкова. «Отчаянные домохозяйки онлайн», «РБК Daily», №174/637, 10.11.2010 г. [Ekaterina Sevryukova. "Desperate Housewives Online", *RBC Daily*, №174/637, 10 November 2010.

strategy: as part of a partnership agreement with VGTRK, the Russia 1 TV channel will be showing advertising for the TV holding's content offered in the site's library and available for free viewing at any time. Thus, regardless of this market segment's relative "youth", the competition is already quite serious. By the end of 2010 the Internet cinemas even became an object of investment interest; in December Digital Access sold 25% of total shares (after an additional issue) in the portal Ivi.ru to Rambler, a daughter company of the Profmedia holding, for USD 3.3 million.[227]

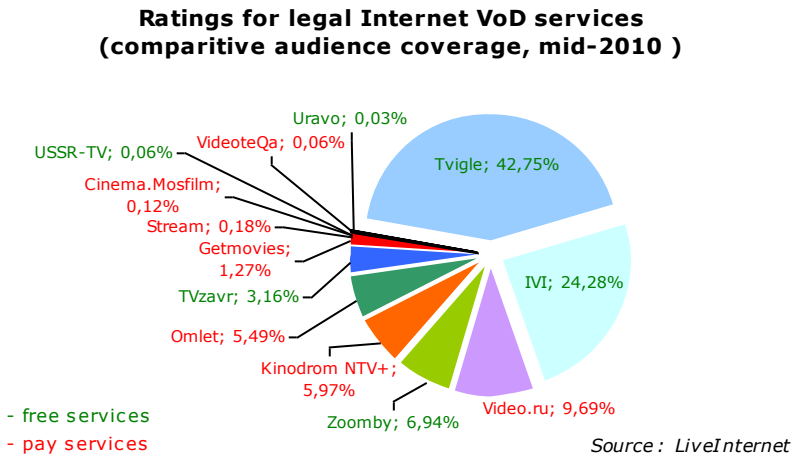

Figure 88. Legal VoD online services, rated by audience exposure (summer 2010)

Also worthy of note is the fact that worldwide Internet video resources are also available in Russia. For example, YouTube, without cutting a single deal with Russian rights holders on the uploading of legal content on its pages (which is why the Association of Film and TV Producers has the site in its "pirate" category[228]) has managed to upload video advertising via the company's Russian representative office since autumn 2010. Before this, Russian-language advertising was bought up by advertisers in global contracts or contracts for European advertising agency representatives. The company's representatives hope that this will allow them to attract an even greater number of advertisers.[229] Google introduced YouTube Movies in August 2010, and taking into account Google's plans to turn the service into an online cinema[230], we can expect a dialogue between YouTube and Russian rights holders in the near future.

Finally, another method of delivering content to the user is via mobile connection. Special VoD offers for mobile telephones use the pay resources of Getmovies.ru and Omlet.ru. In addition, special offers are being developed for Apple's various "i-products" (iPod, iPhone, iPad). This is the same offer available from free Internet services Zoomby.ru (an adapted version of the site became available in September 2010[231]) and Tvigle.ru (since June 2010[232]).

The largest mobile operators only offer a catalogue of mobile TV channels and downloads of short films, while larger VoD films are still unavailable for subscribers. Mobile TV services are being developed by several different companies: TV-to-Go (on 3G or WiFi networks, on the market since 2005), Mobile TV from MTS (since April 2010), Mobile TV from Megafon (since 2004, services expanded in the second quarter of 2010 with the introduction of the next generation 3G network); DVB-H format broadcasting is still being tested by Yota TV and Yota Video (organized by the Kentavr company since 2009, only in

[227] Елизавета Серьгина. «Кино нарасхват», «*РБК Daily*», №176 (639), 12.11.2010 г. [Elizaveta Ser'gina. "Films Going like Hot Cakes", *RBC Daily*, №176 (639), 12 November 2010].
[228] http://www.atcp.ru/2010-12-10-05-23-48
[229] Анастасия Голицына. «YouTube открыл бизнес в России», «*Ведомости*», №146/2664, 09.08.2010 г. [Anastasia Golitsyna. "YouTube Opens Up Shop in Russia", *Vedomosti* №146/2664, 09 September 2010].
[230] «Google превратит YouTube в онлайн-кинотеатр», http://www.lenta.ru, 31.08.2010 г. ["Google is turning YouTube into an online cinema", http://www.lenta.ru , 31 August 2010].
[231] iPad для киноманов. «Новый мобильный сервис от Zoomby», http://www.zoomby.ru/press-centre ["iPad for film addicts. A new mobile service from Zoomby", http://www.zoomby.ru/press-centre].
[232] http://www.tvigle.ru/iphone

Moscow) and Mobile TV from Beeline (in testing by a company called Dominant since December 2009).[233]

The development of this market segment has so far avoided the introduction of new mobile data transmission technologies in Russia (4G, LTE). In principle, mobile carriers already have the intention and the capability to set up LTE networks, but the government agency in charge of regulating this segment has turned out to be completely unprepared for this event. The appropriate tests have not yet been conducted and the appropriate documents not yet produced in Russia; there have been no decisions made regarding the distribution of broadcast frequencies and the issuing of licenses to build networks; no principle of technological neutrality has been adopted, which would allow the operators already possessing broadcast frequency licenses to decide for themselves what kind of technology should be used in the construction of networks; nor have there been any decisions on the possibility of re-using GSM frequencies. In addition, terrestrial operators must fill out huge amounts of paperwork, and seek approval for all of their activities via official channels, meaning that the process for introducing these new technologies could drag on for years, increasing the technological gap between Russia and other countries. Most importantly, the regulator has failed to establish any frequencies for the future construction of communications networks. The question of the allocation of 4G frequencies should have been discussed at meetings of the Government Commission of Radio Frequencies several times by now, but has repeatedly been taken off the agenda for two reasons. Firstly, Russia's security agencies have priority use for almost all of Russia's frequencies. Secondly, the demand for broadcast frequencies suitable for LTE has exceeded supply. The main contenders are the largest mobile carriers (MTS, Megafon, Beeline, and Tele2) as well as the newcomer Osnova Telecom, created by Aitelekominvest and Voentelekom, as well as the mobile WiMax Internet operator Yota (Skartel).[234] The latter was closer than anyone to launching an LTE network. It was proposed to use the company's frequencies to have the system up and running by the summer of 2010 in St. Petersburg and before the end of the year in Kazan, Novosibirsk, Samara, and other cities. However, observers and experts doubt that the company will succeed in implementing these plans, due to problems that have arisen with Roskomnadzor, which has revoked frequencies that it alleges are not being used "in accordance with their purpose"; the operator responded by filing a suit in the Moscow arbitration court, calling for this decision to be annulled.[235] This law suit is not the only one being filed with regard to the distribution of 4G frequencies in Russia: companies are disputing various decisions made by the Government Commission on radio frequencies on the allocation or revocation of frequencies, and the Prosecutor General's Office is investigating the Ministry of Communications and Roskomnadzor regarding their adherence to the law when assigning frequencies and issuing permits for their use.[236] In a nutshell, the fate of 4G in Russia remains undecided.

Meanwhile, mobile phone carriers are currently striving to provide incentives for their users to adopt GPRS traffic. A major event was the new offer of free or discounted access to social networking sites[237]: in the summer of 2010 the mobile telephone carrier Beeline announced free access to the site 0.facebook.com; a similar offer was made almost simultaneously by MTS, and in September MTS and Megafon announced discounted access to Vkontakte.ru, the most popular Russian social networking site. The former offered free

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[233] Анна Балашова, Александр Малахов. «ГКРЧ переключает мобильное ТВ», «*Коммерсант*», №190 (4490), 13.10.2010 г. [Anna Balashova, Aleksandr Malakhov. "GKRCh Switches to Mobile TV", *Kommersant* №190 (4490), 13 October 2010].

[234] Алексей Бойко. «LTE, которая перевернет мир», Приложение «Телеком» к газете «Коммерсант», №42, 10.11.2010 г. [Alexei Boiko."LTE to Turn the World Upside-down", Telecom insert in *Kommersant* №42, 10 November 2010].

[235] Алексей Цой. «Операторы отправились в четвертое измерение», Приложение к газете «*Коммерсант Санкт-Петербург*», № 168/П (4468), 13.09.2010 г. [Alexei Tsoi. "Operators have set off for the fourth dimension", insert in *Kommersant St Petersburg*, №168/P (4468) 13 September 2010].

[236] Игорь Цуканов. «4G через суд», «Ведомости», №208 (2726), 03.11.2010 г.; [Igor Tsukanov. "4G Delivered via the Courts", *Vedomosti*, №208 (2726), 3 November 2010]; Анна Балашова, Владимир Лавицкий. «Генпрокуратура защищает частоты», «*Коммерсант*», №199, 26.10.2010 г. [Anna Balashova, Vladimir Lavitsky. "Prosecutor General Defends Frequencies", *Kommersant* №199, 26 October 2010.

[237] The largest social networks offer users applications for watching legal video content from services like Ivi.ru, Zoomby.ru, and Video.ru.

access at 0.vkontakte.ru, while the second offered a tariff plan called "Unlimited Vkontakte", unlocking unlimited access to the site for a user fee of RUB 3 per day.[238]

Although Russia has retail networks for various game consoles (Xbox, Sony PlayStation, and Nintendo) as well as various i-products from Apple and an online Apple Store, these companies have all yet to offer interactive film content services in Russia. Since 2008 only Sony has offered the PlayStation Network, and in September 2009 introduced PLN methods of payment. However, only games are available, not movies or music. Microsoft recently announced the launch of its network service Xbox Live in Russia and eight other countries for autumn 2010; a definite launch date has not yet been announced, nor has the expected cost or selection of services to be made available to Russians.[239]

3.3.3 Problems of video piracy on the Russian Internet

In 2010 the growth in the number of legal services offering free online visual content was latest step in the rights holders' fight against online video piracy, a problem that becomes ever more serious for Russia as broadband access increases. According to data from Internet Copyright Management[240], the most popular way of accessing non-licensed audio-visual products is via social networks that allow films to be watched online; the second most popular method is downloads from file-sharing hosts; the third is torrents and peer-to-peer networks; the least popular is sites that sell illegal copies of films via SMS.

One of the most "dangerous" (for rights holders) Internet services in Russia today is the vkontakte.ru social network (the site makes it possible to upload any content for free access and online viewing). This is the largest social network in Russia: as of November 2010 there were more than 97 million users. According to researchers from MASMI, which does regular studies of network activity on the Russian Internet as part of their "Online Monitor" project[241], 73.4% of social network users in Russia are registered with vkontakte.ru, and for 47.8% of them this was the social site that they used most often. Odnoclassniki.ru has maintained its second-place standing with ratings of 62.9% and 27.4%, respectively. The third-ranked site was Moi Mir@Mail.ru: 61% of users, of which 19% used that site more than others. Over the course of half a year Vkontakte users increased their activity by 26%, while Odnoclassniki.ru and Moi Mir@Mail.ru users fell 22% and 5%, respectively. Facebook is regularly used by 1% of Russian users, and Moi Krug – 0.5%, while MirTesen.ru and MySpace account for 0.3% of audiences.[242]

Despite the fact that the management of vkontakte.ru is working with law enforcement agencies and provides them with administrative rights to block pirated content uploaded to the portal[243], rights holders still go to court from time to time with claims against this most popular social networking site on the Russian Internet. However, for a long time these attempts have remained unsuccessful. In April, the St. Petersburg and Leningrad Oblast court of arbitration rejected a claim made by VGTRK against Vkontakte regarding the illegal uploading of the films *Hunt for Piranhas* and *Island* on the site; the court ruled that if the rules of the Internet service prohibit the placement of pirated content, then the site was doing enough to protect the rights holders and liability should be borne by the user[244]; VGTRK brought a similar suit against the mail.ru portal, but the matter was settled amicably

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[238] Илья Шатилин. «Операторы пошли на контакт», «Коммерсант – Санкт-Петербург», №168/П (4468), 13.09.2010 г. [Ilya Shatilin. "Operators Getting in Touch", *Kommersant St Petersburg*, №168/P (4468) 13 September 2010.

[239] http://lenta.ru/news/2010/06/15/xbox

[240] http://www.ruprotect.com

[241] http://www.onlinemonitor.ru

[242] Илья Шатилин. «Операторы пошли на контакт», «Коммерсант – Санкт-Петербург», №168/П (4468), 13.09.2010 г. [Ilya Shatilin. "Operators Getting in Touch", *Kommersant St Petersburg*, №168/P (4468) 13 September 2010.

[243] In particular, the social network site cooperates with Bazelevs production company, the distribution company Volga, and others; for the first time in early November 2010 Vkontakte granted permission to independently remove content from TV channel TNT from the site. As a result, about 100,000 clips were removed from the network, and in the near future the site will feature official representation from the channel where its videos will be available – via a player from video hosting site Ru Tube; however advertising is not planned for the time being (Павел Белавин. «ТНТ не «В контакте», «*Коммерсант*», №207/4507, 10.11.2010 [Pavel Belavin. "TNT not on Vkontakte", *Kommersant*, №207/4507, 10 November 2010]).

[244] Анастасия Голицына, Ксения Болецкая. «В контакте» не виновата», «*Ведомости*», 28.04.2010 г. [Anastasia Golitsyna, Ksenia Boletskaya. "Vkontakte is Not to Blame", *Vedomosti*, 28 April 2010].

out of court.[245] By the summer of 2010 the courts began to take the side of the rights holders: the St. Petersburg court of appeal recognised that Vkontakte had violated VGTRK's copyright to the film *Hunt for Piranhas* and fined the holding RUB 1 million[246], but in October a higher court revoked this ruling.[247] At the same time, in the spring-summer of 2010 the social networks themselves took steps to "legalise" the video content on their web pages: in March vkontakte.ru, my.mail.ru and mirtesen.ru began selling legal content from the video.ru portal (owned by DVN [Digital Video Network]), backed by a platform developed by Videoliubitel[248]; and in July content from the ivi.ru portal (Digital Access) became accessible for free (accompanied by ads) in social networks (vkontakte.ru and my.mail.ru) as a special attachment[249]; we also note the cooperation between the largest international social network Facebook.com and the Russian video portal Zoomby.ru – in October 2010 they offered professional video content for viewing.[250]

Rutracker.org is the second most popular pirate site and largest file-sharing service and torrent tracker on the Russian Internet.[251] It replaced torrents.ru, which lasted for six years on the Russian Internet and counted around 4 million active users up until its closure. The site boasted more than 824,000 file distributions registered on the tracker of a total size in excess of 1 petabyte. Interestingly, the site would close distributions upon request from rights holders.[252] Access to this site was closed in February 2010 at the request of rights holders on the basis of a criminal case involving the portal's violation of copyright law. That same day the site moved to the rutracker.org domain, transferring all requests there as well.[253]

Other file-sharing sites include depositfiles.com[254], letitbit.net[255] and others, which all together are the second most popular channels for illegal Internet access to video content.

Examples of SMS sites dealing in illegal audio-visual products through mobile phone payments include such active resources as: abcmovie.net, aakino.ru, film99.ru, 5ic.ru, kinomall.ru, bezlimitvideo.com etc. However, these systems are not only less popular, but also the most vulnerable to attacks from rights holders. In September 2009, at the request of the Direktsiya Kino production company, the "Big Three" operators (MTS, Vympelkom and Megafon) disconnected the short numbers used for paying for pirated copies of certain films, after which the Infosec group announced the development of a special search algorithm designed to reveal similar pirate resources within a few hours of their appearance on the Internet.[256]

In the last few years a well-oiled mechanism for localising foreign content has been put into operation: several teams of translators, narrators and technicians are active on the market. The most active of these "release groups" are: elektri4ka (uniongang.tv), which specialise in art house films; Puz.karapuz (puzkarapuz.ru), for children's films and

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[245] Инна Ерохина, Анна Занина. «Авторские права запутались в социальных сетях», «*Коммерсант*», 14.04.2010 г. [Inna Erokhina, Anna Zanina. "Copyrights Tangled up in Social Networks", *Kommersant*, 14 April 2010].

[246] Анастасия Голицына. «В контакте» проиграла», «*Ведомости*», 20.07.2010 г. [Anastasia Golitsyna. "Vkontakte Loses", *Vedomosti*, 20 July 2010.

[247] Анастасия Голицына. «Интернет не виноват», «*Ведомости*», 19.10.2010 г. [Anastasia Golitsyna. "It's not the Internet's Fault", *Vedomosti*, 19 October 2010].

[248] Александр Малахов. «В сетях нашелся «Видеолюбитель», «*Коммерсант*», 15.03.2010 г. [Aleksandr Malakhov. "Videoliubitel' Found on the Networks", *Kommersant*, 15 March 2010].

[249] Александр Малахов. «Социальные сети легализуют видео», «*Коммерсант*», 23.07.2010 г. [Aleksandr Malakhov. "Social Networks Legalise Video", *Kommersant*, 23 July 2010.

[250] Zoomby.ru on Facebook. «Мне нравится! Инновационное приложение для глобальной социальной сети», http://www.zoomby.ru/press-centre [Zoomby.ru on Facebook. I Like it! Innovative offers for the global social network) // http://www.zoomby.ru/press-centre].

[251] According to data from LiveInternet, there were 7.8 million visitors to the rutracker.org site in July 2010, and the number of daily users for May-July reached 0.98 million (http://www.liveInternet.ru/stat/rutracker.org/index.html?id=8;period=month;total=no). According to data from Alexa, rutracker.org is in 14th place in the ratings for Russian Internet sites in terms of traffic volume,

[252] Виталий Петлевой, Александр Кленин. «Кина не будет», «*РБК Daily*», 19.02.2010 [Vitalii Petlevoi, Aleksandr Klenin. "The Film is Canceled" // *RBC daily*, 19 February 2010]).

[253] Олег Сальманов. «Torrents.ru эмигрировал», «*Ведомости*», 19.02.2010 г. [Oleg Salmanov. "Torrents.ru has Emigrated", *Vedomosti* 19 February 2010]

[254] According to data from Alexa, depositfiles.com is 24th place in the Russian Internet traffic ratings table.

[255] According to data from TNS Web Index, in May 2010 the audience for letitbit.net was 29 million – 19.8% of the total number of Internet users in Russia (between the ages 12-54), with around 0.8 million users visiting the site daily. Letitbit.net is ranked 29th place on the Alexa Internet traffic ratings table.

[256] Антон Бурсак, Александр Кленин. «Большая тройка» отключила пиратов», «*РБК Daily*», 22.09.2009 г. [Anton Bursak, Aleksandr Klenin. The "Big Three" Disconnect Pirates. *RBC Daily*, 22 September 2009].

animation; Kinozal.tv (kinozal.tv) and Releaselab (relizlab.com), for all films; and Lostfilm (lostfilm.tv) for serials. Similar release groups are working on film dubbing for DVD manufacturers as well as the Internet.

Alongside this, Russia has seen the development of commercial activities aimed at defending content from non-sanctioned Internet use. These services began to develop in 2007 (the first on the market was the now-defunct Video24 company) and are now available through several companies (Internet Copyright Management has noted at least 4-5 serious players on this market, including: Web Control[257], Web Sheriff[258], Russky Schit [Russian Shield][259], and the Association of DVD Publishers): they are all busy actively monitoring the Russian Internet and taking measures to prevent illegal activity, as well as organising anti-piracy operations against physical media. However, there are also a fair number of companies offering formal legal protection, which has reduced rights holders' faith in the above-mentioned services and forced them to create their own internal departments in order to defend their content against Internet piracy. However, distributors increasingly prefer to use professional protection when their major releases are in cinemas, and likewise when their films are being released on DVD; although this service has not yet become very popular (from 2008 to the spring of 2010, the methodical monitoring of pirated copies and their consequent removal has only been conducted for 35 films in Russia[260]). As a rule, major DVD distributors have their own divisions for protecting content on the Internet. Most distributors have recourse to a protection period of one month following the release of a film to cinemas or on DVD.

The role of law enforcement agencies in the struggle against Internet piracy is currently very much in its infancy. There have been some genuine and practical precedents of punishment being meted out, but these have been of a public and formal nature. For instance, the high-profile closures of such sites as torrents.ru in February 2010 or interfilm.ru[261] both sites moved to .org domains and continued functioning as before (the former at rutracker.org and the latter at bithouse.org). Similar cases occurred with the ifolder.ru and filehoster.ru torrents, which were prosecuted in March-April 2010 on charges of distribution of child pornography. The former soon resumed operations as "the identity of the offender was established"; the latter was not working as of July 2010, since the file-sharer's equipment had been confiscated by the Ministry of Internal Affairs (MIA) for "unknown reasons".[262]

Interestingly, after these cases in May 2010 hosting providers signed a charter for a secure Internet[263], which stipulates the implementation of countermeasures against the distribution of illicit information: hosters are prepared to check sites hosted on their servers themselves and to delete illicit publications (including child pornography, bootlegged materials or exhortations to extremism).[264] At present the charter has been signed by Hosting-Centre, SpaceWeb, PeterHost, Registra R01, RU-CENTER, Oversan-Skalaksi, Agava, ALA Telecom, ColoCAT, RUSONYX, Best Holding, Total Software, HOLM.RU, FirstVDS, Quarta and H1 and the HostObzor project, Friendly Runet, ISPsystem and the Association of DVD Publishers have announced that they share the principles of the declaration. In addition, on 08 July 2010 the RF State Duma declared its support for the charter. However, the work being carried out by protection organisations in Russia is currently fairly fragmented – individual commercial companies work only in the interests of their clients and do not cooperate with each other or with RAPO (which represents the interests of the Hollywood majors), which reduces the overall effectiveness of the efforts to fight piracy.

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[257] http://www.web-control.ru
[258] http://www.websheriff.ru
[259] http://rsnw.ru
[260] Ксения Болецкая. «Пираты на миллион», *Ведомости*, 05.03.2010 г. [Ksenia Boletskaya. "Pirates for a Million", *Vedomosti*, 05 March 2010].
[261] A criminal case was brought against the site's founders, Ivan and Irina Podorozhny, in spring 2009 at the request of the Russian Antipiracy Organisation (RAPO); the Podorozhnys were accused of making dozens of top films available on the Internet without permission from the rights holders. However, as they were responsible for their own translations and amateur dubbing, they were deemed a "release group". In July, agents from the Ministry of Internal Affairs Investigative Committee carried out searches on more than 20 "active users" of the domain. Anastasia Golitsyna. "Ugolovnyi failoobmen" ["Criminal File Share") // *Vedomosti*. 13 July 2010].
[262] Igor Bakharev. Порнография прикрывает хостеров // Gazeta.ru, 27.04.2010 г. [Igor Bakharev. "Pornography Protects Hosts" // Gazeta.ru 27 April 2010].
[263] http://hostdeclaration.ru
[264] Анастасия Голицына. «Провайдеры против порно», «*Ведомости*». 13.07.2010 г. [Anastasia Golitsyna. "Providers Against Porn", *Vedomosti*, 25 May 2010].

Another initiative of note was taken by Russian rights holders. In September 2010, during the "Voru.net!" round table, legal amendments to the Russian legislation were proposed aimed at the creation of a single registry of rights to audiovisual works, as well as the formation of a specialized body to manage the registry and ensure that all Internet service providers have access to up-to-date information about the genuine owners of all content in order to prevent copyright violations. The Duma Culture Committee was asked to form a working group to prepare an initiative; the idea enjoyed the support of Grigory Ivliev the Chairman of the Duma Culture Committee and Georgy Sytenko the Head of the department for protection of copyright allied rights and Deputy Director of legal affairs at Rosokhrankultury (the Russian Commission for the Preservation of Culture). For the time being, this idea has yet to be legally implemented. However, the Association of TV and Cinema Producers has released its own version of the registry, which comprises a list of various rights libraries including those of the Association's member companies. This list is entitled "Open registry for copyrights to audiovisual works" and was published at http://www.atcp.ru/reestr on 28 October 2010. At the same time, the Association contacted Internet companies with a request that the information contained on the registry be available to all interested market participants, as well as a condemnation of the illegal distribution of content on the Internet. A list of sites officially cooperating with the Association was also formed (Ivi.ru, Omlet.ru, Tvigle.ru, Tvzavr.ru, Zoomby.ru, and the official sites for twelve Russian TV channels). Also set up was a "black list" of around 300 sites working with illegal content. Pirate sites were petitioned to remove links to illegal video of their own accord by 31 January 2011 or sign official contracts with rights holders. Otherwise, the rights holders will take the issue up with the law-enforcement agencies.[265]

3.4 Pricing and market volume

Evaluating the volume of streaming broadcast distribution traffic is a fairly difficult proposition. First of all, the majority of deals between distributors and other rights holders and broadcasters (TV channels, operators of cable and satellite networks, owners of Internet portals) are kept private, and the value of these agreements are not usually disclosed. The press only ever receives information about the largest contracts. The majority of companies do not disclose any details about their business partners. However, an analysis of the press does give us a general picture of recent deals in the terrestrial television sector and on the Internet. However, assessing prices on regional terrestrial TV, cable channels, satellite channels, content aggregators, and syndicates remains impossible for the time being.

3.4.1 Contracts granting content to TV channels

• Major terrestrial channels and major Hollywood studios

2004 – output deals for a 3 to 5 year period were signed between TV channels and major Hollywood studios: the Russia TV channel and Warner Bros., STS and Channel One with Sony Pictures and Buena Vista International; Channel One with 20th Century Fox and NTV with MGM and Paramount. The average cost of a blockbuster varied between USD 500,000 (for two broadcasts) to USD 1 million (3-4 broadcasts); less popular films (including those from independent studios) cost around USD 100,000 for 2-3 broadcasts; foreign series cost USD 20-50,000 per hour.[266]

• Channel One Russia and Walt Disney

On 21 December 2007, under its license agreement, Channel 1 acquired the rights to the television premiere of all new Disney animated and feature films, as well as the exclusive rights to broadcast the studio's classic animated films, which are generally subject to a TV broadcast moratorium, as they are re-released on DVD every seven years. Channel One's commercial director said that the cost of the deal was in the order of millions of

[265] «Реестр прав на аудиовизуальные произведения будет создан в РФ», РИА «Новости», 09.09.2010 г. ["An open Registry of the Rights to Audiovisual Works to be Created in the RF", *RIA Novosti*, 09 September 2010].

[266] Константин Воронцов. «Телеканалы переключаются на российские программы», «*Коммерсант*», 06.10.2004 г. [Konstantin Vorontsov. "TV Channels Switch to Russian Programmes", *Kommersant*, 06 October 2004].

dollars over a two year period, but he declined to give any specific figures. Experts put the deal at USD 60-70 million.[267]

• Channel Five and Lenfilm Studios film archives

On 17 June 2008, Twin, a company that owns a package of more than 700 titles from the Lenfilm Studios, sold Channel 5 the broadcast rights to more than 100 films from this collection, shot between the 1950s and the 1980s. The contract was calculated to cover a 5 year period (starting on 01 January 2009) and offers exclusive TV rights to broadcast the films on terrestrial, cable, and satellite channels on the territory of the former USSR, along with resale rights to other players on the TV market. The value of the contract was not disclosed; Igor Tolstunov the General Director of Profit, valued the deal at USD 25-30 million, while an expert acquainted with the details of the contract claimed that it was in the order of USD 15-17 million. Thus, we can estimate the contract to be worth around USD 20 million because in 2008 state channels were paying up to USD 120,000 for a single showing of a film from the Lenfilm Studios archive.[268]

• STS Media holding and Walt Disney

08 April 2008 – a licensed contract for the rights to two showings on STS and Domashniy of all new Disney films, as well as a number of films that have already released was valued by experts at USD 40-50 million. The general producer at TVZ, Sergey Spiridonov, estimated that a single showing of the third part of the "Pirates of the Caribbean" costs at least USD 1 million.[269]

• Channel One and the film "Book of Masters", from Walt Disney

On 06 November 2009, Channel One acquired the rights for the premiere of Disney studios' first Russian project, "The Book of Masters". According to a source acquainted with the situation, the deal was worth USD 1 million.[270]

• STS and Domashniy and Walt Disney

On 01 September 2009, STS Media signed a second two-year contract to broadcast a number of animated and feature films from Walt Disney studios (in contrast to Channel One, STS is interested in children's educational and entertainment programs in equal measure, for example "Little Einsteins" and "Hanna Montana").[271]

• Channel One and Walt Disney

On 11 November 2009, Channel One acquired the rights to premiere feature films, animations, and series in Russia for two years (two screenings of "Wall-E", "Chronicles of Narnia", "Prince Caspian", the last two seasons of "Lost" and the premiere of "Flash Forward"). The cost of the contract was estimated at USD 30-40 million.[272]

• TNT and Warner Bros.

On 08 April 2010, a contract was concluded on the screening of the latest feature films and series from Warner Bros. over a period of three years on TNT (including all of the Harry Potter movies, "I am Legend", the "V" series, "The Vampire Diaries", and others). The value of the contract was not disclosed, but expert opinion holds that it could be worth several million USD and even an amount several times that figure, depending on the number of screenings agreed per film, the exclusivity of the rights, and so on.[273]

• NTV Plus and Walt Disney

02 November 2010 – Walt Disney's Russian office has signed a contract to license 3D content for television in Russia. Under the deal the channel 3D by Panasonic (part of the NTV Plus package) will show 18 Disney films beginning in December 2010 (the initial

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[267] Иван Филлипов. «Больше мультиков», «Ведомости», 21.12.2007 г. [Ivan Fillipov. "Bol'she mul'tikov" ("More Cartoons") // *Vedomosti*. 21 December 2007]; Анна Ануфриева. Первый мультипликационный, «*РБК daily*», 11.11.2009 г. [Anna Anufrieva. "First Animated", *RBC daily*, 11 November 2009].

[268] Тимур Бордюг, Анна Пушкарская. «Пятый канал» собрал золотую коллекцию», «*Коммерсант*», 17.06.2008 г. [Timur Bordiug, Anna Pushkarskaya. "Channel Five Takes the Golden Collection", *Kommersant*, 17 June 2008].

[269] Анна Ануфриева. «СТС Медиа» подписалась на мультфильмы», «*Коммерсант*», 08.04.2008 г. [Anna Anufrieva. "STS Media Signs up for Cartoons", *Kommersant*, 08 April 2008].

[270] Анна Ануфриева. «Книгу мастеров» продали на «Первый», «*РБК daily*», 06.11.2009 г. [Anna Anufrieva. "Book of Masters Sold to Channel 1", *RBC daily*, 06 November 2009.

[271] Анна Ануфриева. «Первый мультипликационный», «РБК daily», 11.11.2009 г. [Anna Anufrieva. "First Animated", *RBC daily*, 11 November 2009].

[272] Source as above.

[273] Александр Кленин. «Гарри Поттер постучался в ТНТ», «*РБК daily*», 25.01.2010 г. [Alexander Klenin "Harry Potter Knocks on TNT's Door", *RBC daily*, 25 January 2010].

package includes *A Christmas Story*, *Alice in Wonderland*, *Bolt*, *Toy Story* and the 2011 premiere of *TRON: Legacy* and *Pirates of the Caribbean: On Stranger Tides*).[274]

Judging by the above examples, we can say that a two-screening contract for a Hollywood blockbuster on terrestrial Russian television costs around USD 1 million, while Russian and Soviet films from collections are valued at USD 40-120,000 for several screenings over the course of a year. All these television rights deals were purchases, not rentals. It is also worth noting that the collaboration between the rights holder (producer or distributor) with a content aggregator usually results in the latter paying the former a set share of all the proceeds from the sale of rights to TV channels during this period.

In addition, the usual policy for wholesale retail, that the more you take, the less you pay per unit, does not apply to the TV market; the inverse is more likely to be the case – the more screenings purchased by a channel, the more each screening will cost. In some situations the order of a film screening is determined between several channels. The first screening will be on one, the second – on another and the third on a third channel or again on the first, and so forth. In addition, if the TV channel acquires, for example, the first, second, and third screenings, then this would be more expensive than the first, third, and fifth. If we compare a premiere with the second, fourth and fifth screenings, then the package becomes more expensive (a premiere screening gets a higher viewer ratings and advertising space is more expensive, but not enough to exceed the advertising revenues that would be earned from three screenings).[275] Lately, Russian-produced content has been rising in popularity among viewers, and as a result, is growing in demand among TV channels. Broadcasting rights prices for domestic films are also on the rise: all other things being equal, an average Russian film is more expensive than a foreign one.

On the whole, purchasing prices for TV depend directly on the volume of the channels' financing. The main sources of funding for television channels are:

- revenue from advertising;
- subsidies (from the government or the owners and partners);
- revenue from paying TV subscribers;
- other (sale of content and licenses, rendering of services for signal delivery, product placement, SMS voting and similar services, etc.).

Table 40. Total volumes of TV financing by source, 2006-2009 (RUB million)

Sources of funding	2006	2007	2008	2009
Advertising	86,040	113,150	138,900	113,680
State subsidies	13,922	18,168	24,174	37,449
Revenue from pay TV subscribers;	14,400	19,600	22,600	23,180
Total	**114,362**	**150,918**	**185,674**	**174,309**
Percentage share from advertising in overall revenues	*75%*	*75%*	*75%*	*65%*

Source: Video International

According to data from Video International research centre[276], in Russia this first type of revenue source is the main one for terrestrial stations; therefore the volume of the advertising market currently defines the domestic TV channels' ability to pay.

The Federal Antimonopoly Service recently evaluated Russia's leading TV channels' compliance with new amendments to the law on advertising, which stipulates that after 29 December 2009 the state TV channels are prohibited from signing contracts with entities whose share "of television advertising sales" exceeds 35% of all of the channel's advertising budgets over the last two years. As a result, the following information finally entered into the public domain: the largest receivers of advertisers' money in Russia are Channel One (22% of national and regional broadcasts), STS Media (STS and Domashniy – about 20% of broadcasts), and the VGTRK holding (Russia 1 and Russia 24; Russia 2 was not studied and Russia K does not have any adverts – around 18%). Lower profits were earned by NTV

[274] Фильмы Disney теперь можно увидеть в 3D на телеэкране [Disney films in 3D can now be seen on TV] // http://www.proficinema.ru, 02 December 2010].
[275] Сурен Агоронян. «Право по праву», «Бюллетень кинопрокатчика», №11 (52), ноябрь 2010 г. [Suren Agoronyan."Right by Right", *Booker's Bulletin*, №11 (52), November 2010].
[276] Russian television: industry and business. Video International research centre, Moscow, 2010.

(around 16%) and TNT (around 11%). Other terrestrial TV channels are considerably lagging behind the leaders and, accordingly, have much less financial clout in order to acquire high-grade content. On the whole, the quantity of advertising dollars available to a TV channel is proportionate to its ratings with viewers.

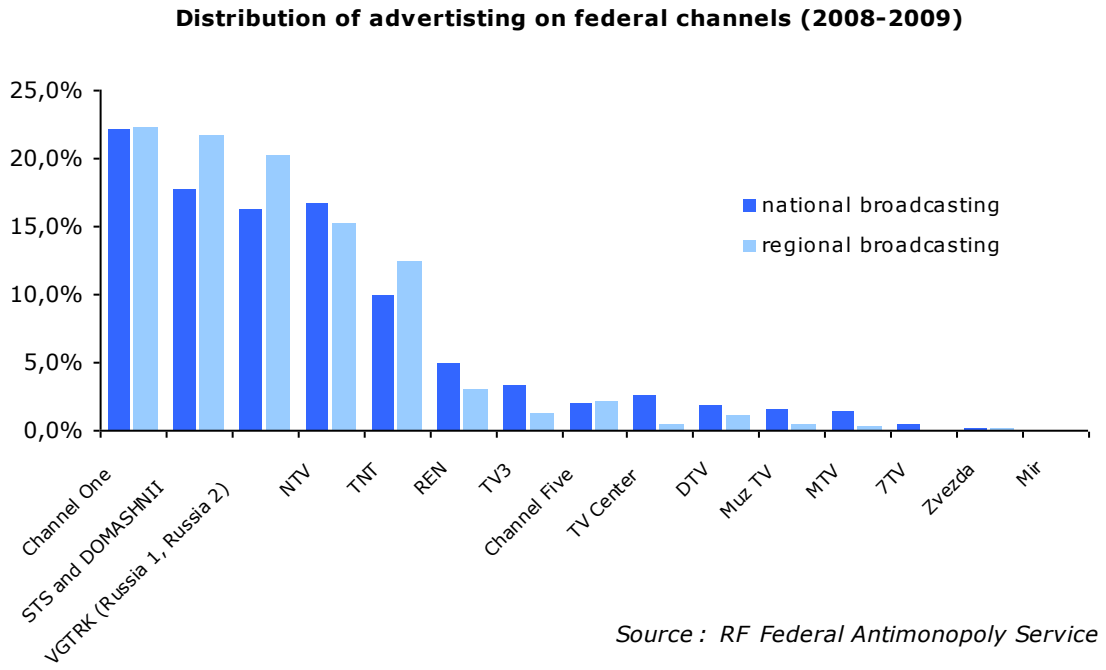

Figure 89. State TV channel share when allotting advertising space, 2008-2009

Subscription revenues play the most significant role in the pay TV segment. However, some parts of the federal law "On advertising" are not applicable, particularly with regards to the limits on advertising for alcoholic beverages. This allows non-terrestrial channels in Russia to make profits on advertising (not only from beer producers, who have an on-air presence between 10 PM to 7 AM, local time, but also producers of spirits).

Table 41. Revenues for non-terrestrial channels from subscriptions and advertising, 2006-2009 (RUB million)

Sources of funding	2006	2007	2008	2009
Subscription	2,880	3,920	4,520	4,640
Advertising	140	650	1,300	1,480
Total	**3,020**	**4,570**	**5,820**	**6,120**
Percentage share from Advertising in overall revenues	*5%*	*14%*	*22%*	*24%*

Source: Video International

3.4.2 Contracts granting content to VoD service providers

- Voweb and Rambler

On 21 September 2008, the Rambler.Kinozal project was launched with help from an Israeli technology and content supplier called Voweb (which owns the broadcasting rights to episodes of Nasha Rasha and Dom-2), which received more than half of its profits from advertising placements in the video content.[277]

- Paramount and MTS

On 02 September 2009, Paramount studio gave MTS a catalogue of over 100 films, with an average value to the end user of RUB 150 each, according to the contract. The

[277] Анастасия Голицына, Тимофей Дзядко. «Кино вместе с рекламой», «*Ведомости*», 21.09.2008 г. [Anastasia Golitsyna, Timofei Dzyadko. "Films with Adverts", *Vedomosti*, 21 September 2008].

value of the contract was not disclosed, but MTS made an initial security down payment and was required to share profits from the sale of the films.[278]

• Gosteleradio and DVN (Video.ru)

On 23 November 2009, the Video.ru portal was offered a significant section of Gosteleradiofond's catalogue (1,200 films and TV programmes); the cost of downloading or streaming one film was set at RUB 50 per download and RUB 30 for a single viewing. The rights were sold for 50% of royalties from the revenues of each sale; an initial security down payment was not stipulated.[279]

• DVN (Video.ru) and Videoliubitel' (Vkontakte.ru, My.mail.ru, Mirtesen.ru)

On 15 March 2010, content from Video.ru began to be sold on social networks on platforms developed by Videoliubitel'. The average cost of a film ranges from RUB 49 to 100. The majority of takings go to the rights holder, with a share going to the social network and the remainder to Videoliubitel'.[280]

• Channel One and Ivi.ru

On 02 April 2010, Digital Access signed its first contract with Channel 1 for the online distribution of programmes and films owned by the channel. The deal required a minimum security down payment and a share of advertising revenues. Experts surmise that Channel One could get between 30 to 50% of the advertising earnings.[281]

• Disney studio and MTS

On 06 April 2010, a contract for the distribution of film and TV productions from Disney studio on Omlet.ru (films, series, and animation) was signed. The contract inferred the transfer of around 100 films and that the catalogue will be replenished. Consumers pay RUB 100-150 to buy a film and RUB 60-75 to rent it. The content can be downloaded onto computers and mobile devices.[282]

• Central Partnership and TiViZavr

On 07 April 2010, a project was launched on the back of Central Partnership's catalogue (with over 3,000 hours of content); advertising revenues are shared with rights holders (30-40% of the revenues), content is free to users.[283]

• VGTRK, National Mediagroup and Zoombi.ru

On 18 May 2010, new programmes, series, and films belonging to VGTRK's channels, REN, Channel 5, STS, TVZ, Zvezda, TNT, Muz-TV, and production companies appeared on a new portal. The content is free to users. Russian companies still haven't been able to come to an agreement with TV channels on their archives as well as rights to programmes that have recently made their broadcast debut (on Zoombi.ru these channels' programmes are accessible within a period varying from 4 hours to 3 days).[284]

• Lenfilm Studios and Tvigle.ru

On 09 June 2010, Tvigle Media and Lenfilm Video signed an agreement on the placement and screening of a collection of films and series on the Tvigle.ru site and its partner portals, which will be paid for by advertising.[285]

• RWS and Ivi.ru

On 22 June 2010, Digital Access signed an agreement to broadcast video content from Russian World Studios (RWS) - the largest private company on the domestic market. Broadcast rights for 18 popular series on Ivi.ru began on 01 July. The contract was concluded for a 3 year period. For RWS, this is their first deal selling online broadcasting rights for its series; the terms of the deal were not publicized.[286]

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[278] Александр Кленин. «Фильмы на мобильник», «*РБК Daily*», 02.09.2009 г. [Alexander Klenin. "Movies by Mobile Phone", *RBC Daily*, 02 September 2009].

[279] Александр Кленин. «Гостелерадиофонд» вышел в Интернет», «*РБК Daily*», 23.11.2009 г. [Alexander Klenin. "Gosteleradio Hits the Internet", *RBC Daily*, 23 November 2009].

[280] Александр Малахов. «В сетях нашелся «Видеолюбитель», «*Коммерсант*», 15.03.2010 г. [Alexander Malakhov,"Videoliubitel' Found on the Internet", *Kommersant*, 15 March 2010].

[281] Александр Малахов, Сергей Соболев. «Первый канал» подал сигнал в сеть», «*Коммерсант*», 02.04.2010 г. [Aleksandr Malakhov, Sergei Sobolev."Channel One Russia's Signal Hits the Internet", *Kommersant*, 02 April 2010].

[282] «МТС и Disney будут распространять кино в цифровом формате», ProfiCinema.ru, 06.04.2010 г. ["MTS and Disney to Distribute Movies in Digital Format"], ProfiCinema.ru, 06 April 2010].

[283] Анна Ануфриева. «Кино уходит в онлайн», «РБК Daily», 07.04.2010 г. [Anna Anufrieva. "Kino ukhodit v onlain" ("Film Goes Online") // *RBC daily*, 07 April 2010].

[284] Ксения Болецкая. «Свежее ТВ», «Ведомости», 18.05.2010 г. [Ksenia Boletskaya "Fresh TV", *Vedomosti*, 18 May 2010].

[285] http://webplanet.ru/corporate/service/2010/06/09/tvigle_lenfilm.html

[286] http://www.rwstudios.ru/press-centre/news/1061.html

• RWS and Zoombi.ru

On 28 June 2010, Russian World Studios and the Zoombi.ru portal signed a contract on the Internet broadcast of 18 series produced by the film company, which premiered on the same day as the series' television broadcast. This is one of the first premieres to simultaneously hit television and the Internet. For the Internet portal's part, this deal is directed at fighting piracy, by offering licensed content as an alternative to pirated content. The benefits of the deal for Russian World Studios lie in the monetization of content (however, the conditions of the deal were not disclosed), both in terms of opportunities to make these series more popular and to evaluate its audience (because the Internet provides audience statistics and viewing trends).[287]

• Ivi.ru and the social networks Vkontakte.ru and My.mail.ru

On 23 July 2010, content from Ivi.ru became available at no cost as special offers on the Vkontakte and Moi mir@mail.ru social networks. A company called Digital Access plans to make money out of the content from advertising placement in the video feed, as is the case on the Ivi.ru central portal. This is the first time in the history of the Russian Internet that rights holders might receive advertising dollars for the transmission of their content in the social networks. A similar collaboration is planned with the Odnoklassniki.ru network.[288]

• VimpelCom and Walt Disney

09 August 2010 saw a licensing agreement with Walt Disney-CIS to place 60 of Disney's most popular films in HD format, on Beeline TV's VoD catalogue, at the same time as these films are released on DVD. New releases will cost the viewer RUB 75, while library films will be available for RUB 50 (for unlimited viewings over 24 hours).[289]

• MTS, Walt Disney, and Paramount

On 09 August 2010, MTS signed a licensing agreement with Walt Disney-CIS and Paramount Studio. Broadband subscribers to MTS services (Omlet.ru) are offered movie downloads and substantially discounted retail rates.[290]

• VimpelCom and Warner Bros.

On 27 September 2010, in accordance with a long-term licensing contract signed with Warner Bros. Digital Distribution, subscribers to Beeline TV will receive access to the studio's library of films until the end of the month; new releases cost RUB 75 per film, and catalogue releases – RUB 50. The consumer can order a film to watch an unlimited number of times over the course of 24 hours. The terms of the deal were not announced.[291]

• Innova, Paramount, and Disney

On 20 October 2010, Innova concluded a partnership agreement on the distribution of content on Ayyo.ru with Paramount and Disney studios; the final discussions were underway with Warner Bros., Universal, and Sony Pictures. The company's overall investment in developing the project reached an estimated USD 1 million.[292]

• Tvigle.ru and Disney

On 10 November 2010, Tvigle Media signed an agreement with Disney studios (the first time a large Hollywood studio agreed to work with a site under terms of advertising revenue sharing). The site's pages will contain cartoons from the 1930s to the 1950s and modern TV series ("Desperate Housewives", "Universitet", and "The Ghost Whisperer"). According to market insiders, it is likely that Disney received a large down payment as security and the whole deal probably set Tvigle.ru back at least USD 100,000.[293]

Thus, in Russia the majority of transactions between rights holders and Internet portals are dependent on the advance payment of a minimum guarantee (of an undisclosed sum) and the subsequent sharing of revenues from content sales and advertising income, with 30-50% payment going to the rights holder. However, transactions without initial fixed

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[287] «Всемирные Русские Студии» и «Digital Access» подписали соглашение о лицензировании», http://www.lenta.ru/news2/2010/06/22/rws/ ["Russian World Studios and Digital Access Sign Licensing Contract", http://www.lenta.ru/news2/2010/06/22/rws/].

[288] Александр Малахов. «Социальные сети легализуют видео», «*Коммерсант*», 23.07.2010 г. [Aleksandr Malakhov. "Social Networks Legalise Video", *Kommersant*, 23 July 2010.

[289] Александр Кленин. «Большое кино «ВымпелКома», «*РБК Daily*» 09.08.2010 г. Alexander Klenin. "VimpelCom's Feature Films", *RBC Daily*, 09 August 2010.

[290] Source as above.

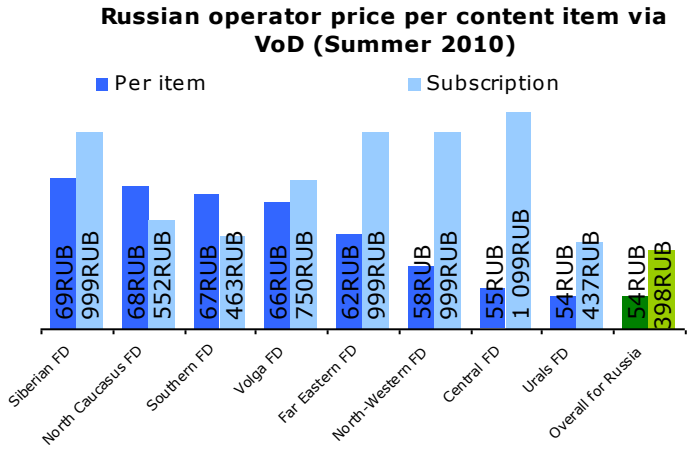
[291] «Билайн ТВ покажет фильмы Warner Bros.». «*Бюллетень видеорынка*», №33–34 (49–50), 30.09.2010 г. ["Beeline TV Shows Warner Bros. Film", *Video Market Bulletin*, №33–34 (49–50), 30 September 2010].

[292] Иннова анонсировала магазин цифрового контента AYYO // http://www.inn.ru, 19.10.2010 г. "Innova announces its AYYO digital content store", http://www.inn.ru, 19 October 2010

[293] Екатерина Севрюкова. «Отчаянные домохозяйки онлайн», «*РБК Daily*», №174/637, 10.11.2010 г. [Ekaterina Sevryukova. "Desperate Housewives Online", *RBC Daily*, №174/637, 10 November 2010].

payments are also quite widespread: these contracts are very attractive to Internet portals as they lower the risk for them. It is interesting to note that domestic distributors and producers are not always ready to agree to the same conditions as major studios offering their entire libraries to content aggregators, traditionally preferring to work with a percentage of profits from the films' sale in pay VoD services (on cable networks).

With regards to the end user price for legally purchased content, we analyzed prices for VoD from the major Russian companies: the evaluation methods involved monitoring the providers' prices for VoD services for all categories of films in their catalogue, a calculation of the average value for all available data, and a separate examination of the cost of subscribing for a package of films or a period of access to all the films in the catalogue (these sorts of plans are offered by IPTV operators). As a result, the average cost of a unit of content in Russia came to RUB 54, while a subscription, including various tariff plans (monthly pay-per-view subscription, subscription for unlimited access to the VoD catalogue for 10 to 30 hours, access to a wide selection of TV channels and the VoD catalogue as well) – RUB 398. However, these prices differ throughout the country's various regions[294]: the most expensive VoD services were offered in the Siberian Federal District, while the cheapest were in the Ural Federal District.

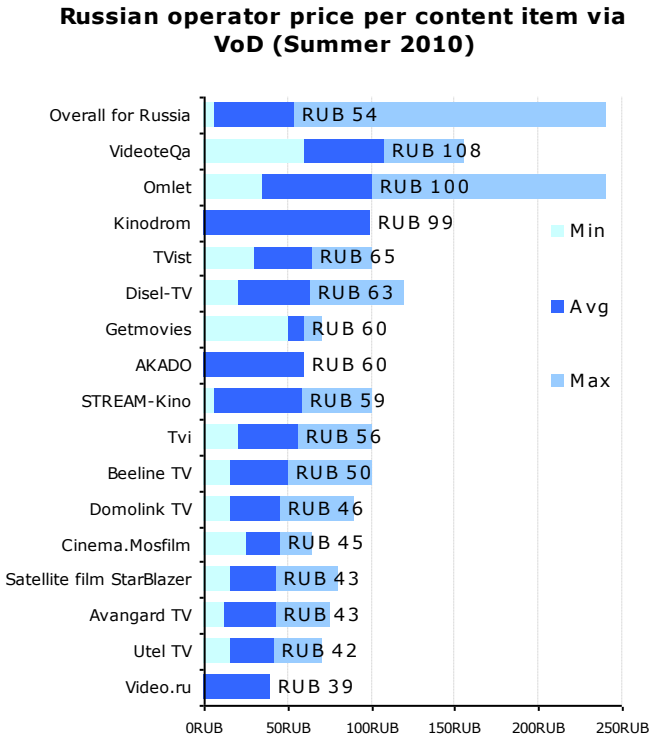


Source: Nevafilm Research

Figure 90. Average price for VoD in Russia (summer 2010)

On the whole, the price for a unit of content in Russia varies from RUB 6 to 240. The most expensive videos on demand are offered by such operators as the cable network Qwerty in Moscow (a service of VideoteQa, offering prices from RUB 60 to 155, averaging RUB 108), MTS's Omlet portal (from RUB 35 to 240 , averaging RUB 100) and the Internet version of Kinodrom from NTV Plus (all films, RUB 99 each). Of further note is the fact that the Russian market today lacks a direct correlation between the technology of providing video on demand service and pricing. Expensive and cheap operators are found amongst cable networks (Utel TV, Avangard TV, Domolink TV, Beeline TV, Tvi, Stream Kino, AKADO, Disel TV, Twist, VideoteQa) and Internet portals (Video.ru, Cinema.Mosfilm, Getmovies, Kinodrom, Omlet).

[294] When calculating regional prices, offers from local IPTV operators and Internet portals that are accessible throughout the country were taken into account.



Source : Nevafilm Research

Figure 91. Price per unit of content by VoD operator (summer 2010)

There is a distinct correlation between the nature of the content offered and the price paid by the user. Different prices for different types of content are the norm at most VoD operators.

- animated films are the cheapest (RUB 6 to 30) and several operators (Beeline TV, Disel TV) differentiate for anime cartoons, pricing them slightly higher, from RUB 3 to 50;
- one episode of a series via Russian video on demand services might cost from RUB 15 to 50.
- finally, feature-length feature films cost an average of around RUB 60, although films can be found for RUB 15 (classic Soviet films) or for RUB 240 (premieres on Omlet.ru); overall, the price of a feature film depends on how recent its premiere was and the strength of demand among viewers.

3.5 Principal market players

In keeping with the diagram of Russia's digital delivery market shown at the beginning of this chapter, we point out three levels of major players in this market. We can divide each of these levels into a few more sectors in which companies in this market specialize:

1) Distributors and aggregators of content:
- content aggregators specializing in the content of various media;
- audiovisual content distributors working in a variety of markets (from theatrical release to the Internet);
- content producers;

2) Broadcasters (TV stations), creators of access interfaces and interactive services
- terrestrial TV channels;
- non-terrestrial TV channels;
- video on demand (VoD) on cable and IPTV networks;
- VoD on the Internet;
- local networks;

3) Communications operators, integrators of technical services
- terrestrial TV / radio broadcasters;
- satellite broadcasters;
- cable networks;
- home telephone and internet providers;

- mobile and satellite communications providers.

In this study, we focus on the first two groups of digital delivery market players. We will leave the third category (technical service providers), as such, outside the scope of the study, primarily because these companies are either not involved in film content distribution, or are also broadcasters who sign direct contracts with copyright holders for delivery of content to consumers (thus falling under the second category - broadcasters).

3.5.1 Content distributors and aggregators

Table 42. Russian content aggregators working in the digital delivery domain

Ranking (by year of establishment)	Name	Year of establishment	Holding company (Owner)	Type of rights and broadcast outlets	Area covered by the rights	Principal partners	Nature of content	Additional activities
1	Video (http://www.videofilm-tv.ru)	1990	Videofilm Television	Satellite and cable TV	Russian Federation, CIS, Baltic countries	TVC, Gaumont, BBC, Hit Entertainment, Playboy, Summit Entertainment	Documentary films (60%), feature films, and serials (30%)	Film production
2	Lyco (http://www.lyco-distribution.ru)	1991	-	Cable TV and IPTV	n/a	BAVARIA MEDIA GmbH, HAMBURG STUDIO FA GmbH (Germany), SONY, SONY RME, Panasonic, AKG	Feature films, family films, teenage films, serials, animation, children's programming (USA, Great Britain, Canada, Germany, Australia)	Russian voiceover and dubbing of foreign content (for TV and theatrical release), development and implementation of the technical side of TV production, supply of blank video and audio media
3	TVIN (http://www.tvin.ru)	1991	TVIN SP	TV	Russia, CIS	Mediatrade, Lenfilm Studio, Gorky Film Studio, Soyuzmultfilm Studio	All genres	Production of television films and serials, technical services, including voiceover and video duplication
4	Children's Performance (http://www.detseans.ru)	1996	Detsky seans	Public screening, TV, video	Russia, CIS, international market	Russian and foreign film studios, film and TV studios in the Ukraine, Czech Republic, and Poland	Children's content for family viewing	Film production
5	Svoy Pocherk (http://www.svoypocherk.ru)	1996	Svoy Pocherk Co.	Public screening, TV	n/a	2x2 Telemarket, NOUS Studio, ECHELON FILM, TONAP Film Studio	Foreign and domestic films, serials, TV shows, documentary films, animation	Film production (documentary films); organization of film events (Days of Montenegrin Cinema in Russia, Days of Russian Cinema in Montenegro, Film Lovers' Nights in Moscow).
6	Kinoseans (http://www.detseans.ru)	2001	Detsky seans	TV, video	Russia, CIS, international market	Mosfilm Cinema Concern, Soyuzmultfilm, film and TV studios in the Ukraine, Czech Republic, and Poland	Russian and Eastern European films, live action fairy tales, animation, restored Soyuzmultfilm cartoons	Film production

Ranking (by year of establishment)	Name	Year of establishment	Holding company (Owner)	Type of rights and broadcast outlets	Area covered by the rights	Principal partners	Nature of content	Additional activities
7	Silver Globe (http://www.silverglobe.ru)	2004	-	TV	n/a	Belarusfilm National Film Studio, Videofilm Corporation, Close-up Film and Video Company, Film and Video Studio of the State Academic Bolshoi Theatre of Russia	Feature films, documentaries, serial, miniseries, entertainment and sporting programmes, theatrical productions	-
8	Russian Film (http://www.russian-film.ru)	2004	Kinotavr Video LLC	TV, video	Russian Federation, CIS, Baltic countries	Mondo TV (Italy), MaximMedia (USA), Hollywood Wizard (USA), AB SvenskFilmIndustri (Sweden), Artist View Entertainment (USA)	Mostly children's animation (serials and feature-length animated films), as well as comedies, horror films, and documentaries	-
9	National Television Syndication Company (http://www.ntstv.ru)	2005	Video International	TV	Russia	Channel One, Deutsche Welle, Zvezda TV channel, Luxor. Works with local TV companies	Historical documentaries, serials, feature films, comedy shows	Broadcast network creation for local TV channels, content localisation and production
10	Bely Slon (http://www.rsvideo.ru)	2005	Russkoe Schast'e Distribution	TV, video, Internet	Russian Federation, CIS	Bollywood Option, Yash Raj Films, Cinebridge	Indian Films	Video distribution
11	Auditoria Agency	2009	IRTYSH	TV	n/a	Gosteleradiofond (official representative), Ekran Studio	Mostly Russian content (animation, documentary programmes, and domestic cinema classics), as well as anime and foreign films	-
12	Kinopark (http://www.utvs.ru)	n/a	Globalnye Media Kommunikatsii	Cable TV and IPTV, VoD	n/a	Warner Bros., Paramount, Tristar, Walt Disney, Columbia, Sony Pictures, Marvel, DreamWorks, Universal, Miramax, MGM, and others.	All genres	Network integration (IPP, CP, VoD, IPTV), connection to interactive services, corporate and user equipment upgrade, proprietary documentary channels ProTur.TV (Japan, Italy, Germany)
13	Pelican Media (http://www.evrikafilm.ru)	n/a	Evrika Film	TV	n/a	n/a	Documentary films and educational programmes	-

Source: company data, public sources (Internet, press), Nevafilm Research

Table 43. Russian distributors working in the digital delivery domain

Ranking (by year of establishment)	Name	Year of establishment	Holding company (Owner)	Type of rights and broadcast outlets	Area covered by the rights	Principal partners	Nature of content	Additional activities
1	Most Media (http://www.most-media.ru)	1989	-	Public screening, TV, video, Internet (in the works)	CIS, Baltic countries, RF (sublicensed public video)	-	Children's films (mostly Scandinavian countries, as well as Italy, France, USA, and England)	Sublicensed public screening
2	Russian Report (http://www.rusreport.com)	1991	-	Public screening, TV, video	Russian Federation, CIS	-	Arthouse feature films, documentary films, television serials and animation, TV programmes	Film distribution
3	Paradise (http://www.paradisegroup.ru)	n/a	Paradise Group	Public screening, TV, video	n/a	-	Domestic and foreign feature films	Theatrical distribution, screenings (5 Zvezd cinema chain), two Armenian TV channels and a satellite TV channel in the USA and South America, *Rolan* film magazine, film festival presentation
4	INTRA FILM (http://www.intratv.net)	n/a	INTRA FILM	TV	Russian Federation, CIS, Baltic countries	Paramount, Buena Vista Intl. Television, Warner Bros. Studios, BBC, The National Geographic, the Neizvestnaia Planeta project, leading satellite channels	All genres	Translation and dubbing of TV productions

Ranking (by year of establishment)	Name	Year of establishment	Holding company (Owner)	Type of rights and broadcast outlets	Area covered by the rights	Principal partners	Nature of content	Additional activities
5	Central Partnership (http://www.centpart.ru)	1995	ProfMedia Holding	Public screening, TV, video, VoD, PPV, Internet, mobile broadcasting	Russian Federation	Major European and American studios	Domestic and foreign feature films and serials	TV and film production, theatrical distribution, sale of DVD rights
6	Volga (http://www.volgafilm.ru)	2008	-	TV, video, film screening	Russian Federation, CIS	Lionsgate, Lakeshore, Summit, Studio Canal.	Foreign feature and documentary films	Cinema distribution, TV distribution
7	Soyuz Video (http://www.soyuzvideo.ru)	1996	Soyuz group	Public screening, TV, video, VoD, Internet	Russian Federation, CIS	BBC Worldwide, STV film company studios, Soyuzmultfilm, Krupny Plan, Slovo, and others	All genres	Music production, retail of audiovisual products and auxiliary products (Soyuz retail chain)
8	Ruscico (http://www.ruscico.com)	1999	-	TV, VoD, Internet, public screening	RF, CIS, Baltic countries, international market	Film studios in Russia and the CIS, Studio Ghibli (Japan)	Domestic and foreign feature and documentary films	Dubbing, translation of films and commercials, subtitling, film restoration, theatrical distribution, international distribution
9	Carmen Video, Carmen Film (http://www.carmen-film.ru, http://www.drugoe-kino.ru, http://www.arthouse.ru)	1993	-	TV, Internet, video	Russian Federation	-	Classics of world cinema, modern art films, screen adaptations of classic literature	Video distribution, film festival organization, TV content production, publishing of topical magazines
10	Cinemotion Group (http://www.cinemotionlab.com, http://www.cinemotion.ru)	2005	-	TV	n/a	SONY PICTURES	Feature films, television serials	Screenplay agent services, screenwriting school
11	Fora Cinema	1999	FORA Group	Public screening, TV, video	n/a	Major Indian film studios, Russian film studios (Troitsky Most, Forum Film, Sovinfilm)	Indian cinema, domestic films, serials, documentaries	Film and TV content production, film festival organization, India TV channel, TV channel concept development

Ranking (by year of establishment)	Name	Year of establishment	Holding company (Owner)	Type of rights and broadcast outlets	Area covered by the rights	Principal partners	Nature of content	Additional activities
12	Luxor (http://www.luxorfilm.ru/distribution)	1980	Luxor holding company	Public screening, video, TV, Internet	Russian Federation, CIS, Baltic countries	-	Foreign feature and documentary films	Theatrical distribution, video distribution, cinema chain (Luxor)
13	Kino Bez Granits (http://www.arthouse.ru)	1996	AR Films	Public screening, video, TV, Internet	Russian Federation, CIS	-	Arthouse, independent European and Asian cinema	Producing, video and theatrical distribution
14	Top Film Distribution	2007	GRC Group	Public screening, TV, VoD, Internet	Russian Federation, CIS	-	Foreign feature films	Film distribution
15	PRIOR Agency	n/a	-	TV	CIS, Baltic countries	Lizard Cinema Trade, MC Entertainment, West, CP Digital	Foreign feature films, Russian serials	n/a
16	Intercinema (http://www.intercinema.ru)	1992	-	Public screening, TV	CIS, Baltic countries, international market	-	European, Asian, and Russian arthouse, documentary films	Film distribution
17	Kamer-Ton-Media	n/a	-	Public screening, TV, video	Russian Federation, CIS	Russia K TV Channel	Arthouse	TV production (*Kult Kino [Movie Cult]* with Kirill Razlogov on Russia K)
18	Arena (http://www.arena-video.ru)	1995	Arena Corporation	Terrestrial, cable, satellite TV, Internet, video	CIS, Baltic countries, international market	Minerva (Italy), Variety (Italy), First Distributors (Hong Kong), UFO (USA), Media Asia (Hong Kong), WorldWide (India)	Russian and foreign films, new Indian releases	Video distribution, blank video media production
19	21st Century Video Production (http://www.videopro-xxi.ru)	1997	-	Terrestrial, cable, and satellite TV	Russian Federation, CIS, Baltic countries	-	Foreign feature, documentary, animated films and serials	Proprietary post-production sound studio

Ranking (by year of establishment)	Name	Year of establishment	Holding company (Owner)	Type of rights and broadcast outlets	Area covered by the rights	Principal partners	Nature of content	Additional activities
20	IGMAR Production Company (http://www.igmar.biz)	2007	-	TV	RF, CIS, Baltic countries, Europe, USA	Russian film studios (Mosfilm, Lenfilm, Vertical, Genre, Melnitsa), Lyco, The VOKS2 Group, World Wide Entertainment (Australia), TVE (Spain)	Feature, documentary, animated films and serials	TV content production, production of made-for-TV feature and documentary films and serials, film production organization, translation, dubbing of TV films and serials
21	GALA MEDIA AND FILM INTERNATIONAL (http://www.galamedia.ru)	2006	EEAP Holdings (Eastern European Acquision Pool)	TV and rights to newly emerging technologies	RF, CIS, and Central Asia in the works	-	Foreign films	n/a
22	MC Entertainment (http://www.mc-ent.ru)	2002	-	TV, video, public video screening	Russian Federation	-	Anime	Publication of *Anime Guide* magazine, Moscow Anime Festival, print advertising
23	West Video (http://www.westvideo.ru)	1994	West	Public screening, TV, video, VoD, PPV	Russian Federation, Ukraine, Belarus	-	Foreign feature films	Video distribution, film distribution, cinema chain (West)
24	Reanimedia (http://www.reanimedia.ru)	2007	-	TV, video	Russian Federation, CIS	All rights holders and distributors of anime in Russia, the majority of rights holders for anime and manga in Japan	Anime	Translation, dubbing, mastering studio; video distribution, anime festival organization and support
25	Seipris (http://www.seipris.ru)	1994		Terrestrial, cable, satellite TV, video, Internet	Russian Federation, CIS	Owners of rights originating in Russia, Hungary, German Democratic Republic, Poland, Czech Republic, Federal Republic of Germany, Italy, and other	Children's and topical films and textbooks (programmes)	Video programme dubbing, restoration, production

Ranking (by year of establishment)	Name	Year of establishment	Holding company (Owner)	Type of rights and broadcast outlets	Area covered by the rights	Principal partners	Nature of content	Additional activities
						countries		
26	XL Media (http://www.xlm.ru)	2005	-	TV, video	Russian Federation	-	Anime	Video distribution, anime festival organization, distribution of anime publications
27	TeleKino	2003	-	TV, video, public screening	n/a	NTV Plus	n/a	presentation of the Russian International Film Market, theatrical distribution, satellite film channel production (Nashe Novoe Kino and KinoSoyuz), feature film and TV serial production

Source: company data, public sources (Internet, press), Nevafilm Research

3.5.2 Broadcasters - terrestrial TV channels

Table 44. Nationwide terrestrial TV channels

Ranking by level of accessibility to the public	Name	Year of first broadcast	Owner	Coverage area on the territory of the RF (reception, % of population)	Concept	Share of cinema content in the channel's broadcast schedule (January-June 2010)	Terrestrial TV broadcast organization method (proprietary network or via partners - cable operators)	Region-specific or time-zone specific broadcasting (number of duplicates, orbiting patterns)	Additional activities of the holding company	Top 3 films of 2009 (January-September 2010)
1	Channel One (http://www.1tv.ru)	1991 (with the establishment of the RF)	Channel One (Rosimushchestvo)	RF (99.4%)	General news and entertainment channel	23%	Independent broadcasting	Orbita-0 (0) Orbita-1 (+2) Orbita-2 (+4) Orbita-3 (+6) Orbita-4 (+8)	Film production (Direktsiya Kino), video distribution (Pervaya Videokompaniya), proprietary audience survey services, satellite and foreign TV broadcasting (Channel 1's Digital Family), and others	*Slumdog Millionaire* *V boy idut odni stariki [Only Old Men Are Going to Battle]* *Ironiya Sudby, ili S Legkim Parom! [The Irony of Fate, or Enjoy Your Bath!]* (*Ironiya Sudby. Prodolzhenie* [*The Irony of Fate, The Sequel*] *Pretty Woman* *Zolushka* [*Cinderella*])
2	Russia 1 (http://www.rutv.ru)	1991 (with the establishment of the RF)	VGTRK Holding - All-Russian State Television and Radio Broadcasting Company (Rosimushchestvo)	RF (98.0%)	General news and entertainment channel	27%	Independent broadcasting (local partners, 89 companies – state television and radio companies, part of the All-Russian State Television and Radio Broadcasting Company)	0 +2 +4 +6 +8	Advertising agency (Video International), production of made-for-TV movies (Russkiy televizionny roman [Russian TV Novel]), participation in film production, radio (Mayak, Radio Russia)	*Kliuchi ot schast'ia [The Keys to Happiness]* *Varenka. Naperekor sudbe [Varenka. Flying in the Face of Fate]* *Krov' ne voda [Blood is not Water]* *(Nastoiashchaia liubov' [True Love],* *Terapiia liubov'iu [Love Therapy],* *Ishu tebya [I'm Looking For You])*
3	NTV (http://www.ntv.ru)	1993	Gazprom Media Holding	RF (96.4%)	General news and entertainment channel	23%	Mostly independent broadcasting (a small number of local partners)	NTV-0 (0) NTV-2 (+2) NTV-3 (+3) NTV-4 (+4) NTV-7 (+7)	Film Production (NTV Kino), theatrical screening (2 cinemas in St. Petersburg and Moscow), satellite TV (NTV Plus), foreign broadcasting (NTV Mir), radio, and the press	*Otstavnik [Discharged]* *Shpilki 2* *Bomzhikha* (*Glukhar v kino* *Fokusnik* *Otstavnik 2* [*Discharged 2*])
4	CTC (http://www.ctc-tv.ru)	1996	CTC Media Holding	74 regions of the RF (90.7%)	Entertainment channel (First Entertainment)	28%	Network. Broadcasting via partners and 20 proprietary TV stations	0 +2 +4 +7	Made-for-TV film production (Kostafilm, Soho Media)	*The Pacifier: Prepare for Bottle* *Men In Black 2* *Problem Child 2* *(Nanny McPhee* *Transformers* *Taxi 3*)
5	TNT (http://www.tnt-tv.ru)	1998	Gazprom Media Holding	RF (88.8%)	Entertainment channel	22%	Network. Via partners and proprietary TV stations	0 +2 +4 +7	Film Production (NTV Kino), theatrical screening (2 cinemas in Moscow), satellite TV (NTV Plus), foreign broadcasting (NTV Mir), radio, and the press	*Big Stan* *Asterix and Obelix: Mission Cleopatra* *Hitler Kaput!* (*The Mask* *I am Legend* *Alvin and the Chipmunks*)
6	Russia K (http://www.tvkultura.ru)	1997	VGTRK Holding (Rosimushchestvo)	RF (88.2%)	Cultural and informational programming. No advertising	30%	Mostly independent broadcasting (a small number of local partners); in 20 cities, the program is broadcast only via cable TV networks	0 +2 +4 +7	Advertising agency (Video International), production of made-for-TV movies (Russkiy televizionny roman [Russian TV Novel]), participation in film production, radio (Mayak, Radio Russia)	n/a
7	REN TV channel (http://www.ren-tv.com)	1997	TeleAlliance Media Group	RF (85.6%)	News and entertainment programming	19%	Network. Via partners and 27 proprietary TV stations	0 +2 +4 +7	Cable television (National Telecommunications), the Press (*Izvestiya* newspaper)	*Realnyy papa* [*Real Dad*] *Osobennosti natsionalnoy okhoty* *Voroshilovskiy strelok [The Rifleman of the Voroshilov Regiment]* (*Ohota na Piranyu [Hunting For Piranha]* *Harry Potter and the Order of the Phoenix* *Bolshaya Lyubov* [*Big Love*])

Ranking by level of accessibility to the public	Name	Year of first broadcast	Owner	Coverage area on the territory of the RF (reception, % of population)	Concept	Share of cinema content in the channel's broadcast schedule (January-June 2010)	Terrestrial TV broadcast organization method (proprietary network or via partners - cable operators)	Region-specific or time-zone specific broadcasting (number of duplicates, orbiting patterns)	Additional activities of the holding company	Top 3 films of 2009 (January-September 2010)
8	TVC (http://www.tvc.ru)	1997	Moscow City Property Department, Sistema PLC	RF (78.2%)	News and entertainment channel	42%	Network. Via partners and proprietary TV stations	0 +2 +4	Collaboration with Systema PLC: telecommunications (MTS, Comstar), cable TV (STREAM-TV), film and TV production (Russian World Studios)	*Okhlamon* Nikogda ne zabudu tebia Bez osobykh primet *(Ivan Brovkin na Tseline* *Zhenskaia intuitsiia 2* *V Iyune 41-go)*
9	Russia 2 (http://www.sportbox.ru)	2010	VGTRK Holding (Rosimushchestvo)	80 subjects of the RF (76.4%)	News and sporting channel	0%	Mostly independent broadcasting (a small number of local partners)	0 +2 +4 +7	Advertising agency (Video International), production of made-for-TV movies (Russkiy televizionny roman [Russian TV Novel]), participation in film production, radio (Mayak, Radio Russia)	n/a
10	Domashniy (http://www.domashniy.ru)	2005	CTC Media Holding	500 Russian towns & cities (76.4%)	Entertainment channel aimed at female and family audience	25%	Network. Broadcasting via partners and 13 proprietary TV stations	0 +2 +4 +7	Made-for-TV film production (Kostafilm, Soho Media)	n/a
11	TV3 (http://www.tv3russia.ru)	1998	Prof-Media Holding	RF (75.2%)	Entertainment channel (Pervyi mistichesky)	32%	Network. Via partners and proprietary TV stations	0 +3 +7	Theatrical release and film production (Central Partnership), film screening (Cinema Park), Internet rights (Ivi.ru), radio (Autoradio, Energy, Broadcasting Corporation), the press (Afisha), Internet (Rambler.ru, Afisha.ru)	n/a
12	Channel Five (http://www.5-tv.ru)	2006	National Media Group	150 Russian towns & cities (72.0%)	News and entertainment channel	42%	Network	0 +3	Cable television (National Telecommunications), the press (*Izvestiya* newspaper)	*Voroshilovsky strelok* *Zita i Gita* *Ivan Brovkin na tseline* *(Zita i Gita* *Maksim Perepelitsa* *Voroshilovskiy strelok [The Rifleman of the Voroshilov Regiment])*
13	Muz TV (http://www.muz-tv.ru)	1996	UTV Russia Holding	More than 700 Russian towns & cities (68.6%)	Music entertainment channel	0%	Network	since 21 April 2010 - digital time-zone specific and orbital broadcasting: +0 +2 +7	Internet (Pronovosti.ru, 40i.ru, Newstube.ru information portals)	n/a
14	DTV (http://www.dtv.ru)	1999	CTC Media Holdings	67 Russian regions (68.4%)	Entertainment channel	19%	Network. Broadcasting via partners and 31 proprietary TV stations	0 +2 +7	Made-for-TV film production (Kostafilm, Soho Media)	n/a
15	Russia 24 (http://www.vesti.ru)	2006	VGTRK Holding (Rosimushchestvo)	RF (67.2%)	News channel	0%	Mainly non-terrestrial broadcast	Live broadcasting	Advertising agency (Video International), production of made-for-TV movies (Russkiy televizionny roman [Russian TV Novel]), participation in film production, radio (Mayak, Radio Russia)	n/a
16	Zvezda (http://www.tvzvezda.ru)	2005	Department of Defence of the Russian Federation	RF, except the Far Eastern Federal District (62.7%)	News and entertainment channel with military and patriotic focus	55%	Network	Zvezda+0 Zvezda+2 Zvezda+4 Zvezda+7	-	n/a
17	MTV (http://www.mtv.ru)	1998	Prof-Media Holding	530 cities and regions of the RF (61.4%)	Music entertainment channel	2%	Network	0 +4	Theatrical release and film production (Central Partnership), film screening (Cinema Park), Internet rights (Ivi.ru), radio (Autoradio, Energy, Broadcasting Corporation), the press (Afisha), Internet (Rambler.ru, Afisha.ru)	n/a

Ranking by level of accessibility to the public	Name	Year of first broadcast	Owner	Coverage area on the territory of the RF (reception, % of population)	Concept	Share of cinema content in the channel's broadcast schedule (January-June 2010)	Terrestrial TV broadcast organization method (proprietary network or via partners - cable operators)	Region-specific or time-zone specific broadcasting (number of duplicates, orbiting patterns)	Additional activities of the holding company	Top 3 films of 2009 (January-September 2010)
18	7TV (http://www.7tv.ru)	2001	UTV Russia Holding	RF (51.5%)	Entertainment channel	35%	Network	+0 +2 +7	Internet (Pronovosti.ru, 40i.ru, Newstube.ru information portals)	n/a
19	2x2 (http://www.2x2tv.ru)	2007	Prof-Media Holding	RF, except the Far Eastern Federal District (36.3%)	Animation channel (primarily for adult audiences)	n/a	Mainly non-terrestrial broadcasting	Live broadcasting	Theatrical release and film production (Central Partnership), film screening (Cinema Park), Internet rights (Ivi.ru), radio (Autoradio, Energy, Broadcasting Corporation), the press (Afisha), Internet (Rambler.ru, Afisha.ru)	n/a

Source: company data, public sources (Internet, the Press), TNS Russia, Video International, Film Distributor's Bulletin, Nevafilm Research

Table 45. Local terrestrial TV channels

Ranking (by date of first broadcast)	Name	Year of first broadcast	Owner	Coverage area	Broadcasting	Volume of cinema content in the broadcast schedule	Viewership size, area coverage
1	Aist (http://www.aisttv.ru)	1990	-	Siberian Federal District (Irkutsk Region: Irkutsk, Angarsk, Shelekhov)	22 hours a day	60% of broadcasting	more than 1 million
2	TV-2 (http://www.tv2.tomsk.ru)	1991	Tomsk Media Group Holdings	Siberian Federal District (Tomsk Region)	22 hours a day	n/a	n/a
3	Channel 4 (http://www.channel4.ru)	1991	-	Ufa Federal District (Sverdlovsk Region: Yekaterinburg, Kamensk-Uralsky, Nizhny Tagil, Pervouralsk)	22 hours a day	n/a	n/a
4	Volga	1992	GorodN.TV	Volga Federal District (Nizhny Novgorod and the region)	22 hours a day	n/a	3 million people
5	Vostochny Express (http://www.ve-trc.ru)	1992	-	Ufa Federal District (Chelyabinsk Region: Chelyabinsk, Zlatoust, Magnitogorsk, Miass)	22 hours a day	n/a	n/a
6	Channel 49	1997	n/a	Siberian Federal District (Novosibirsk Region)	n/a	n/a	n/a
7	OTV (http://www.obltv.ru)	1997	-	Ufa Federal District (Sverdlovsk Region: Yekaterinburg, Kamensk-Uralsky, Nizhny Tagil, Pervouralsk)	n/a	n/a	98% coverage
8	Kolomenskoe TV (http://www.ktv.colomna.ru)	1997	-	Central Federal District (Yaroslavl and the region)	round-the-clock	n/a	more than 300,000 households
9	OTS (http://www.otstv.ru)	1998		Siberian Federal District (Novosibirsk Region)	22 hours a day	n/a	84.3% coverage
10	Ugra (http://www.ugra-tv.ru)	1998	Ugra Holdings	Ufa Federal District (Khanty-Mansiysk Okrug, Nefteyugansk, Nizhnevartovsk, Surgut, Khanty-Mansiysk)	round-the-clock	n/a	more than 3 million viewers, 98% of the district's population
11	NTK (http://www.ntktv.ru)	1999	Novoe Televidenie Kubani Media Holdings	Southern Federal District (Krasnodar	22 hours a day	n/a	95% of the Krai territory

Ranking (by date of first broadcast)	Name	Year of first broadcast	Owner	Coverage area	Broadcasting	Volume of cinema content in the broadcast schedule	Viewership size, area coverage
				Krai: Krasnodar, Sochi)			
12	NTM (http://www.ntm-tv.ru)	2001	NTM Holdings	Central Federal District (Yaroslavl and the region)	23 hours a day	n/a	n/a
13	BST (http://www.tv-rb.ru)	2002	-	Volga Federal District (Republics of Bashkortostan, Tatarstan, Sverdlovsk Region, Chelyabinsk Region, Orenburg Region)	18 hours a day	26% of broadcasting	4.5 million viewers
14	TNV (http://www.tnv.ru)	2002	-	Volga Federal District (Republic of Tatarstan: Almetyevsk, Naberezhnye Chelny, Nizhnekamsk) + CIS	22 hours a day	n/a	more than 5 million
15	TV 100 (http://www.tv100.ru)	2003	Baltic Media Group	Northwest Federal District (St Petersburg and the region)	round-the-clock	n/a	n/a
16	Channel 31 (http://www.31tv.ru)	2005	Media Centre	Ufa Federal District (Chelyabinsk Region: Chelyabinsk, Zlatoust, Magnitogorsk, Miass)	round-the-clock	n/a	1.4 million
17	Pervoe kraevoe TV	2008	NTS	Far Eastern Federal District (Khabarovsk Krai: Khabarovsk, Komsomolsk-on-Amur)	n/a	n/a	1.5 million
18	Mestnoe TV	n/a	STS Media Holdings	Volga Federal District (Republic of Chuvash)	22 hours a day	n/a	n/a
19	Ekho	n/a	n/a	Central Federal District (Ryazan and the Region)	22 hours a day	n/a	480,000 people

Source: company data, public sources (Internet, press), TNS Russia, Video International, Nevafilm Research

3.5.3 Broadcasters of non-terrestrial TV channels

Table 46. Russian cable and satellite TV channels specializing in film and animation

Ranking (by audience coverage)	Name (site)	Year of first broadcast	Producer (Country of origin)	Specialization	Time of broadcast	Overall average monthly audience coverage (% of residents over 4 years of age in cities with a population of over 100,000)
1	Carousel (http://www.karusel-tv.ru)	2007	All-Russian State Television and Radio Broadcasting Company (Russia)	Children's programming	19 hours a day	(14% - Bibigon)
2	TV1000 Russkoe kino (http://www.viasatworld.com)	2003	Viasat (Great Britain)	Cinema (Russian films)	round-the-clock broadcasting	11.3%
3	TV1000 (http://www.viasatworld.com)	2003	Viasat (Great Britain)	Film	round-the-clock broadcasting	11.2%
4	Carousel (http://www.karusel-tv.ru)	2006	Channel One - Digital TV Family (Russia)	Children's programming	round-the-clock broadcasting	(7.3% - TV Nanny)
5	Dom Kino	2006	Channel One - Digital TV Family (Russia)	Russian cinema	round-the-clock broadcasting	6.3%
6	Disney Channel Russia (http://www.disney.ru/kanal)	2010	Walt Disney Company (USA)	Children's programming	round-the-clock broadcasting (since August 2010, on the bandwidth of the former Jetix TV channel)	(5.4% - Jetix)
7	Detskiy Mir	1997	RTVi (Russia)	Children's programming	daily from 6:00 to 20:00	4.6%
8	TV-1000 Action (http://www.viasatworld.com)	2003	Viasat (Great Britain)	Cinema (action films)	round-the-clock broadcasting	4.3%
9	Detskiy (http://www.klub100.ru)	2005	Content Union Distribution (Russia)	Children's programming	round-the-clock broadcasting	3.8%
10	Comedia TV (http://www.comediatv.ru)	2006	Red Media Holdings (Russia)	Comedy films	round-the-clock broadcasting	3.6%
11	TV XXI (http://www.tv21.lv)	1998	TV XXI (Latvia)	Film	round-the-clock broadcasting	3.6%
12	Nickelodeon CIS	1998	MTV Networks - Viacom (USA)	Children's programming	n/a	3.0%
13	Nashe Kino (http://www.ntvplus.ru)	2005	NTV Plus (Russia)	Cinema (Russian films)	round-the-clock broadcasting	2.7%
14	Russkiy Illuzion (http://www.klub100.ru)	n/a	Content Union Distribution (Russia)	Russian cinema	round-the-clock broadcasting	2.4%
15	India TV (http://www.indiatv.ru)	2006	Red Media Holdings (Russia)	Indian films and TV shows	n/a	2.2%
16	Illuzion+ (http://www.klub100.ru)	n/a	Content Union Distribution (Russia)	Film	round-the-clock broadcasting	2.1%

Ranking (by audience coverage)	Name (site)	Year of first broadcast	Producer (Country of origin)	Specialization	Time of broadcast	Overall average monthly audience coverage (% of residents over 4 years of age in cities with a population of over 100,000)
17	Teleclub	2004	RTVi (Russia)	Russian serials	daily from 20:00 to 5:00 on the Detskiy Mir channel	1.6%
18	Nashe Novoe Kino (http://www.ntvplus.ru)	2005	NTV Plus (Russia)	Modern Russian cinema	round-the-clock broadcasting	1.6%
19	Hallmark Channel (http://www.hallmarkchannel.com)	n/a	Crown Media (USA)	Film and TV serial channels	round-the-clock broadcasting	1.4%
20	Fenix Plus Kino (http://www.fenixplus.tv)	2007	ArtMedia Group (Russia)	Russian TV serials	round-the-clock broadcasting	1.3%
21	Kinopokaz (http://www.kinopokaz.tv)	2007	Perviy TVCh (Russia)	Modern foreign cinema	round-the-clock broadcasting	1.1%
22	Kinoklub (http://www.ntvplus.ru)	2002	NTV Plus (Russia)	Film	round-the-clock broadcasting	1.1%
23	Nastoiashchee strashnoe televidenie (Real Scary TV) (http://www.strashnoe.tv)	2006	ArtMedia Group (Russia)	Horror films, horror serials, and horror animation	round-the-clock broadcasting	0.9%
24	Fox Life (http://www.foxlifetv.ru)	2008	Fox International Channels (USA)	Films, serials, entertainment programmes	20 hours a day	0.9%
25	Mnogo TV (http://www.serialtv.ru)	2006	Red Media Holdings (Russia)	Russian and foreign serials	round-the-clock broadcasting	0.8%
26	Kinohit (http://www.ntvplus.ru)	2004	NTV Plus (Russia)	Film	round-the-clock broadcasting	0.8%
27	Cartoon Network (http://www.cartoonnetwork.ru)	2005	Time Warner Inc. (USA)	Children's programming	18 hours (from 5:00 to 23:00)	0.7%
28	AXN Sci-Fi	2006	Sony Pictures (USA)	Sci-fi and fantasy films, sci-fi and fantasy serials, and sci-fi and fantasy programmes	round-the-clock broadcasting	0.6%
29	MGM	2005	Metro Goldwyn Mayer (USA)	Film and TV serial channels	n/a	0.6%
30	Premiere (http://www.ntvplus.ru)	2002	NTV Plus (Russia)	New world cinema releases	round-the-clock broadcasting	0.5%
31	Zone Romantica (http://www.uk.zoneromantica.tv)	n/a	Zone Vision (international)	Film and TV serial channels	round-the-clock broadcasting	0.5%
32	Universal Channel (http://www.universalchannel.ru)	2008	NBC Universal Global Networks (USA)	Films, serials	round-the-clock broadcasting	0.5%
33	Fox Crime (http://www.foxcrimetv.ru)	2008	Fox International Channels (USA)	Crime TV serials	21 hours a day	0.5%
34	KinoSoyuz (http://www.ntvplus.ru)	2005	NTV Plus (Russia)	Soviet cinema	round-the-clock broadcasting	0.4%

Ranking (by audience coverage)	Name (site)	Year of first broadcast	Producer (Country of origin)	Specialization	Time of broadcast	Overall average monthly audience coverage (% of residents over 4 years of age in cities with a population of over 100,000)
35	Sony Entertainment Television (SET; http://www.set-russia.com)	2008	Sony Pictures Entertainment (USA)	Film and TV serial channels	n/a	0.4%
36	Kinopokaz HD-1 (http://www.kinopokaz.tv)	2009	First TVCh	Foreign suspense and action films (65% thrillers and horror films, 35% action and science fiction films)	round-the-clock broadcasting	0.2%
37	SyFy Channel (http://www.syfyuniversal.ru)	2010	NBC Universal Global Networks (USA)	Film and TV serial channels	from 8:30 to 3:00	0.2%
38	HD kino (http://www.ntvplus.ru)	2007	NTV Plus (Russia)	Films in HDTV format	round-the-clock broadcasting	0.2%
39	Kinopokaz HD-2 (http://www.kinopokaz.tv)	2009	First TVCh	European and American cinema (40:60) 50% drama, 20% comedy, 30% soap operas.	films are presented in 8-hour blocks, which repeat three times a day	0.1%
40	Teen TV (http://www.teleteen.tv)	2008	First TVCh	Children's programming	n/a	0.1%

Source: company data, public sources (Internet, press), TNS TV Index Plus 2010/1 (February-April 2010), Nevafilm Research

3.5.4 Broadcasters – video on demand services

Table 47. VoD services on cable and IP TV networks

Rank (by service launch date)	Name	Year of service launch	Owner	Geographical service coverage	Operator's basic service	Number of subscribers (households)	Type of VoD	Delivery technology	Cost of services	Business model
1	Stream.Kino (http://www.stream.ru)	2005	COMSTAR United Telesystems PLC	Central Federal District (Moscow, Moscow Region)	Broadband access, IPTV, PPV	2 million TV subscribers (128,000 VoD subscribers)	VoD service (24-hour downloads)	ADSL (GetMovies platform)	RUB 6-100 per content unit; subscription RUB 300-400; VIP plan – RUB 3000	Payment per unit, subscription
2	AKADO Home Movie Theater (http://www.cinema.akado.ru)	2006	AKADO	Central Federal District (Moscow, Moscow Region)	Internet, IPTV, PPV, digital telephony	1 million TV subscribers	VoD service (streaming)	Cable, DOCSIS 2.0 technology, hybrid fibre-coaxial cable	Rub 60 per content unit	Payment per unit

Rank (by service launch date)	Name	Year of service launch	Owner	Geographical service coverage	Operator's basic service	Number of subscribers (households)	Type of VoD	Delivery technology	Cost of services	Business model
3	VideoteQa QWERTY (http://www.qwerty.ru)	2007	Central Telegraph PLC	Central Federal District (Moscow, Moscow Region)	Internet, IPTV	14,000 TV subscribers	VoD (24-hour downloads, Download-to-Own)	Cable, Metro Ethernet network, FTTH, subscriber-based decoder (RUB 4,500,000), TeleQ software support	RUB 60-155 per content unit	Payment per unit
4	Video on demand Avangard TV (http://www.avangard-tv.ru)	2007	Svyazinvest PLC	Northwest Federal District	IPTV, Internet	14,700 TV subscribers	VoD service (48-hour downloads)	ADSL 2+	RUB 12-75 per content unit	Payment per unit
5	Virtual Cinema, Utel TV video on demand (http://www.ir.u-tel.ru)	2007	Svyazinvest PLC	Ural Federal District	IPTV, Internet	120,000 TV subscribers	VoD service (Downloading, Streaming)	ADSL 2+	RUB 15-70 per content unit; subscription RUB 200 (nVoD), RUB 300 (VoD)	Payment per unit, subscription
6	Disel TV video on demand, (http://www.diselcom.ru)	2008	Svyazinvest PLC	Southern Federal District, North Caucasus Federal District	IPTV, Internet	31,300 TV subscribers (26,000 IPTV subscribers)	VoD service (36-hour downloads)	ADSL 2+ or FTTH	RUB 20-120 per unit of content; subscription RUB 60-150 (10-30 days)	Payment per unit, subscription
7	Twist video on demand (http://www.sibirtelecom.ru)	2008	Svyazinvest PLC	Siberian Federal District, Far Eastern Federal District	IPTV, Internet	9,700 TV subscribers	VoD service (48-hour downloads)	ADSL 2+	RUB 30-100 per content unit	Payment per unit
8	Beeline TV video catalogue (http://www.tv.beeline.ru)	2009	VimpelCom PLC	Central Federal District (Moscow, Moscow Region), Northwest Federal District (St. Petersburg)	IPTV	approximately 30,000 TV subscribers	VoD service (24-hour downloads)	IPTV Microsoft Mediaroom, FTTB city network, Motorola units (with recording capability – RUB 7950), without recording capability - RUB 6500)	RUB 15-100 per content unit	Payment per unit
9	Domolink TV video on demand (http://www.domolink.ru)	2009	Svyazinvest PLC	Central Federal District	IPTV, Internet	80,000 TV subscribers	VoD service (72-hour downloads)	ADSL 2+ (STB - RUB 3900)	RUB 15-90 per content unit	Payment per unit

Rank (by service launch date)	Name	Year of service launch	Owner	Geographical service coverage	Operator's basic service	Number of subscribers (households)	Type of VoD	Delivery technology	Cost of services	Business model
10	Tvi video on demand (http://www.tvi.dsv.ru)	2009	Svyazinvest	Far Eastern Federal District	IPTV, Internet	81,000 TV subscribers	VoD service (24-hour downloads)	ADSL 2+	RUB 20-100 per content unit	Payment per unit
11	Divan TV Plus home theatre (http://www.divantvplus.ru)	2009	ER-Telecom Holdings	Central Federal District, Volga Federal District, Northwest Federal District, Ural Federal District, Siberian Federal District	IPTV	897,000 TV subscribers	VoD service (Streaming)	Cable TV on the platform of ER-Telecom, digital cable TV, analogue cable TV networks	n/a	Payment per unit

Source: company data, public sources (Internet, press), Nevafilm Research

Table 48. VoD services on satellite operators' networks

Rank (by service launch date)	Name	Year of service launch	Owner	Geographical service coverage	Operator's basic service	Number of service subscribers	Type of VoD	Delivery technology	Cost of services	Business model
1	Kinodrom NTV-Plus (http://www.kinodrom.ntvplus.ru)	2008	Gazprom Media Holding	RF, Ukraine	Satellite TV	0.75 million households	VoD service (Streaming)	NTV-Plus satellite dish, SMS ordering	RUB 99 per viewing	Pay-per-view
2	StarBlazer satellite film channel (http://www.starblazer.ru)	2009	Race Communications SE	Within the zone covered by Intersat 904 and Express AM33 satellites	Satellite-based Internet	n/a	VoD service (24-hour permanent downloads)	EUROCOM LLC satellite Internet network operator	Subscriber equipment - RUB 3000; purchase - RUB 50-80, viewing - RUB 30-50	Pay-per-view

Source: company data, public sources (Internet, press), Nevafilm Research

Table 49. VoD services on the Internet

Rank (by service launch date)	Name	Year of service launch	Owner	Daily viewership evaluation for summer 2010 (thousands of people)	Type of VoD	Delivery technology	Cost of services (summer 2010)	Business model
1	Getmovies (http://www.getmovies.ru)	2006	X-Media Digital LLC	5.8	VoD (streaming, downloads)	Windows Media Player	RUB 49-99 per content unit; subscription RUB 299	Pay-per-view, subscription
2	Kinodrom NTV-Plus (http://www.kinodrom.ntvplus.ru)	2008	Gazprom Media Holdings	27.0	VoD service (Streaming)	Access to Internet-based ordering and viewing for NTV-Plus users, by contract number	RUB 99	Pay-per-view
3	Tvigle (http://www.tvigle.ru)	2009	Technoinvest PPLC (Allianz ROSNO venture fund)	193.6	VoD (streaming), media resources	Media Player, iPhone app, TV broadcasting device in development	Free	Ad revenue sharing with rights holders (revenue sharing)
4	Video.ru (http://www.video.ru)	2009	Digital Video Network	43.9	VoD service (downloading, streaming), video portal, online store	Videoliubitel platform (as well as on the "V kontakte", "Moi mir@mail.ru", "Mir tesen" social networks)	RUB 39 per content unit; subscription RUB 499; social networking Videoliubitel RUB 49-100 per content unit	Pay-per-view; the rights holders receive 50% of profits in royalties
5	Omlet (http://www.omlet.ru)	2009	Mobile TeleSystems PLC	24.9	VoD (downloading, streaming)	Omlet Media Player /2.1.0a3/	RUB 35-240 per content of unit	Pay-per-view
6	USSR-TV (http://www.cccp-tv.ru)	2009	Uravo	0.3	VoD (streaming)	Adobe Flash Player	Free	Ad revenue profit sharing with rights holders (revenue sharing)
7	Uravo (http://www.uravo.tv)	2009	Uravo SE	0.1	VoD (streaming)	Adobe Flash Player	Free	Ad revenue sharing with rights holders
8	IVI (http://www.ivi.ru)	2010	ru-Net Ltd. holding, Prof Media holding	110.0	VoD service (streaming)	Adobe Flash Player, Television box (STB)	Free	Ad revenue sharing with rights holders (revenue sharing)
9	Zoomby (http://www.zoomby.ru)	2010	All-Russian State Television and Radio Broadcasting Company , Web-TV PLC, WebMediaGroup	31.5	VoD (Streaming)	Adobe Flash Player	Free	Ad revenue sharing with rights holders (revenue sharing)

Rank (by service launch date)	Name	Year of service launch	Owner	Daily viewership evaluation for summer 2010 (thousands of people)	Type of VoD	Delivery technology	Cost of services (summer 2010)	Business model
			(WMG)					
10	Tvzavr (http://www.tvzavr.ru)	2010	Tivizavr LLC	14.3	VoD service (streaming)	Proprietary AVPlayer2 player (uses the Sinterra telecommunications infrastructure)	Free	Ad revenue sharing with rights holders (revenue sharing)
11	Cinema.Mosfilm (http://www.cinema.mosfilm.ru)	2010	Mosfilm Film Concern FSUE (Federal State Unitary Enterprise)	0.5	VoD (streaming, downloads)	Microsoft Silverlight Player	RUB 25-65 per download, free online cinema	Pay-per-view + (revenue sharing) advertising revenue
12	Fidel.ru (http://www.fidel.ru)	2010	Fidel Solutions	n/a	VoD (streaming, downloads)	Proprietary distribution platform, Adobe Flash Player v10/ Lite v3.1	RUB 3-20 per content unit; subscription RUB 350	Pay-per-view

Sources: company data, public sources (Internet, press), LiveInternet, Nevafilm Research

Table 50. VoD services on mobile communications networks

Ranking (by service launch date)	Name	Year of service launch	Owner	Geographical service coverage	Number of service subscribers	Type of VoD	Delivery technology	Business model
1	TV-to-Go (http://www.togo.tv)	2005	-	Worldwide	Approximately 200,000 people per month	Mobile telephone VoD service (downloading, streaming)	TV To Go app for mobile phones	Pay-per-view partner receives 20% of user fees (video sales, paid channel subscriptions) from users who downloaded the TV To Go! app from the partner.
2	Mobile TV from Beeline (http://www.mobiletv.beeline.ru)	2009	-	Central Federal District (Moscow)	11,000 subscribers	Mobile TV	Samsung P-960 telephone, SIM card	n/a
3	Mobile TV by MTS	2010	Mobile TeleSystems PLC	Central Federal District (Moscow, Moscow Region)	n/a	Mobile TV	iPhone, Spb TV	n/a

Source: company data, public sources (Internet, press), Nevafilm Research

3.5.6 Broadcasters – local networks

Table 51. Local broadcast networks

#	Company (project)	Technology	Business model	Volume of cinema content	Access to service
1	Aeroflot (http://www.aeroflot.ru)	Digiplayer, Panasonic eX2 (9-16 inch widescreen monitors built into the seats)	Service included in the ticket price	Approximately 15 movies per month	Presidential and Premier Class Boeing 767 and Airbus 319/320/321 passengers. Programming is updated monthly. Passengers in all service classes on the new A330 jet liners
2	Russian Railways PLC	n/a	Service included in the ticket price	n/a	In Sapsan trains

Source: company data, Nevafilm Research

3.6 Trends and predictions for further development of the digital delivery market in Russia

As of 2010, digital delivery in Russia is regulated by four jurisdictions: media legislation (in regard to television), communications legislation (in regard to telecommunications services), information legislation (a variety of regulations governing the Internet – Russia does not have a specific law governing activities on the Internet), and advertising legislation. Of key importance to this industry is the federal strategy to transition to digital TV and radio broadcasting by 2015. In addition, when rights holders sign contracts with distributors (broadcasters) in Russia, the signing parties prefer to include a detailed list of rights being transferred for digital distribution: terrestrial, cable, satellite broadcast, video on demand services via cable and telecommunications (IPTV) networks, Internet rights, and so on.

In Russia, terrestrial television is free to consumers, since the technical backbone of the broadcasting system is made up of state and commercial TV channels (both receive profits primarily from sale of advertising time). As a result, terrestrial TV is currently accessible to the majority of Russians (around 140.5 million) and by 2015, the Russian airwaves are scheduled to make the transition to digital broadcasting (the first multiplex, which includes 8 freely available basic TV channels, will be launched in the digital format in 2014, and further transition to the digital platform will enable an improvement in the quality of the signal and an increase in the number of channels and their accessibility for the population). Apart from 20 or so nationwide TV channels, Russia has approximately 20 local broadcasters who routinely re-broadcast their national network partners' programming. These channels also create their own TV programmes and establish their own broadcasting networks, partially with the help of content aggregators. The largest of these aggregators is the National Television Syndication Company, which offers a 10-hour broadcast schedule.

Terrestrial TV channels are the largest consumers of audiovisual content on the digital delivery market. The volume of film broadcast nationwide adds up to approximately 30,000 hours per year; films are regularly shown on 16 federal terrestrial channels and on 14 local networks. In trying to create a loyal viewer base, the federal channels have established permanent time slots for feature films; in 2007, a trend emerged where channels would not only show a film, but also preface or follow the screening with studio commentary. This is especially true for arthouse films that call for thoughtful viewing. However, the majority of films are screened on terrestrial TV stations, without a headline and outside of fixed time slots (primarily in the evening, or even at night). In recent years, Russian films, whose broadcasting rights command a higher price than foreign films, have taken a TV broadcast ratings lead.

Half of Russia's population also currently uses the services of non-terrestrial TV operators. The country's cable networks, which have been growing since 1989, have the greatest coverage, with 2/3 of pay TV market subscribers. One-third of pay TV subscribers use satellite dishes (available in Russia since 1996). IPTV's market share has so far been insignificant (3%): this is a relatively young market, which only arrived in Russia in 2005. Meanwhile, Russia's pay TV market continues its steady growth at 15-20% per annum. The driving force behind this growth is not the comprehensive pay TV channel package, but the fact that cable, satellite, and IPTV channels compensate for the low quality of terrestrial

signal (nationwide terrestrial channels are often included in the operators' basic pay TV packages). The future of this market segment is tied to the transition to digital TV broadcasting by 2015 (as a result of which some channels from the 2nd and 3rd multiplexes will no longer be free, which will increase the appeal of non-terrestrial TV packages), as well as technical innovations in the area of content delivery and changes in TV viewing habits towards constantly increasing interactivity, intercommunication, and individualized consumption.

Overall, Russia has more than 200 pay TV channels, of which about 30-40 specialize in the broadcast of feature films, serials, and animation. The majority of non-terrestrial channels are produced in Russia or adapted into Russian. They already include one 3D and 14 HD channels. In 2010, the most popular film channels have brought more than 7 million viewers (who watched the channel at least once per month) to their TV sets each month. From 100,000 to 4 million viewers watch the less in-demand specialized pay channels at least once a month.

Finally, 2010 saw a true boom in the development of new digital film content retail services: both free and paid viewing services, film downloads (temporary and permanent) via a variety of technical delivery methods (satellite, cable, IP, Internet, mobile devices) and access interfaces (televisions or computers, set-top boxes, video game consoles, portable devices, and so on). Pay TV operators have been actively developing this trend since 2005. Today, 12 companies offer these services to their users, and approximately 11 million people have access to them. In most cases, consumers are given access to services on a pay-per-unit basis (in Russia, the average price in 2010 was RUB 54) or by subscribing for a set period of time (for an average of RUB 400 per month; sometimes this subscription is already included in pay TV VIP packages). These broadcasters pay rights holders by sharing retail profits with rights holders (from 30 to 50% paid to the latter), paying only the minimum guaranteed upfront fees.

On the Internet, meanwhile, there are already more than 15 legal VoD websites, six of which offer free services to their users. The business model of these services is based on sharing advertising revenue with rights holders. In 2010, broadband Internet access market penetration in Russia reached 14.5 million households (one-third of the country's population), and the average monthly Internet audience size at mid-year was 43.3 million people. The primary growth in broadband infrastructure is due to growth in regions where growth potential remains high (in these regions, the average penetration of broadband access is 24% of families, in contrast to 74% in Moscow).

Development of mobile video on demand services in Russia is curtailed by slow introduction of new mobile data transfer services (4G, LTE) due to a number of unresolved legal and administrative issues in this field. Still, these services are already being launched on a trial basis by the "big three" mobile operators. The leading Internet-based VoD providers are also offering special apps for portable devices. At the same time, the purchase of motion pictures through the iTunes store remains impossible in Russia, while video game console developers (Sony and Microsoft) are gradually preparing to debut their online stores selling film content in the country (the former is already selling games in Russia through its PlayStation Network service, while the latter plans to open access to Xbox Live).

Overall, the Russian digital delivery sector has about 40 major content aggregators and distributors specializing in this portion of the market; 20 nationwide terrestrial TV channels and 20 local terrestrial channels; around 40 non-terrestrial TV channels specializing in film content (including children's channels); approximately 30 companies offering video on demand, and several transportation companies with their own localized broadcast networks. For rights holders operating on the territory of Russia, the value of these digital delivery channels in Russia is erratic. Federal terrestrial TV brings in the biggest profits, frequently exceeding all other sources, including theatrical release. The local and non-terrestrial TV price rates are much lower due to these channels' smaller audience and lower advertising or subscription profits earned by their parent companies. In addition, many cable and satellite TV channels are produced outside the country. Meanwhile, Russian rights holders continue to be wary of the VoD market. While the VoD market is still in its early stages, it continues to grow at an increasingly fast pace.

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