

Press release
European Audiovisual Observatory, Strasbourg

**Russian film industry feels the chill
as recession cools the production sector**

One of Europe's fastest growing film industries, the Russian Federation, has been generating increasing interest from investors, both national and foreign. But as the chill winds of recession bite, will the industry struggle to maintain growth?

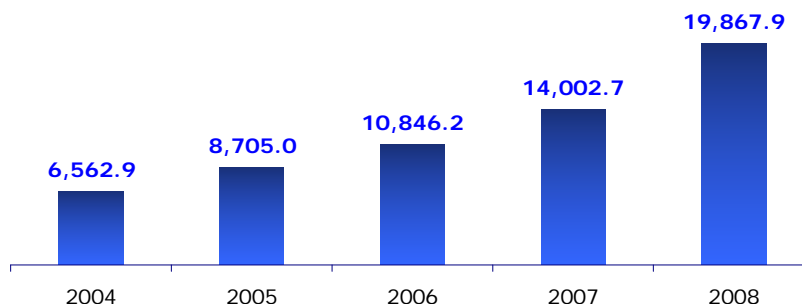
The Film Industry in the Federation of Russia, a ground-breaking new report commissioned by the European Audiovisual Observatory from independent consultants **Nevafilm** and **RFilms**, provides an in-depth analysis of all aspects of the industry in Russia and takes a timely look at the impact of a modified economic climate.

The report will be presented to Russian industry professionals on 1 December 2009
at a special workshop held during the 80th Moscow International Film Market.

Exhibition revenues resist recession...

Russian cinema admissions have surged ahead over the last five years, with ticket sales growing at an average of 14% annually over the period 2004 to 2008. An expanding modern screen base and the revival of cinema-going generally lie behind this growth, with average admissions per head almost doubling. Rising ticket prices have multiplied the effect on box office, with 32% average annual growth in revenues between 2004 and 2008. For 2009, the report predicts continuing growth, though successive devaluations of the rouble in late 2008 / early 2009 may give negative results in hard currency terms.

Figure 1: Box office revenues in the Russian Federation (RUB million)

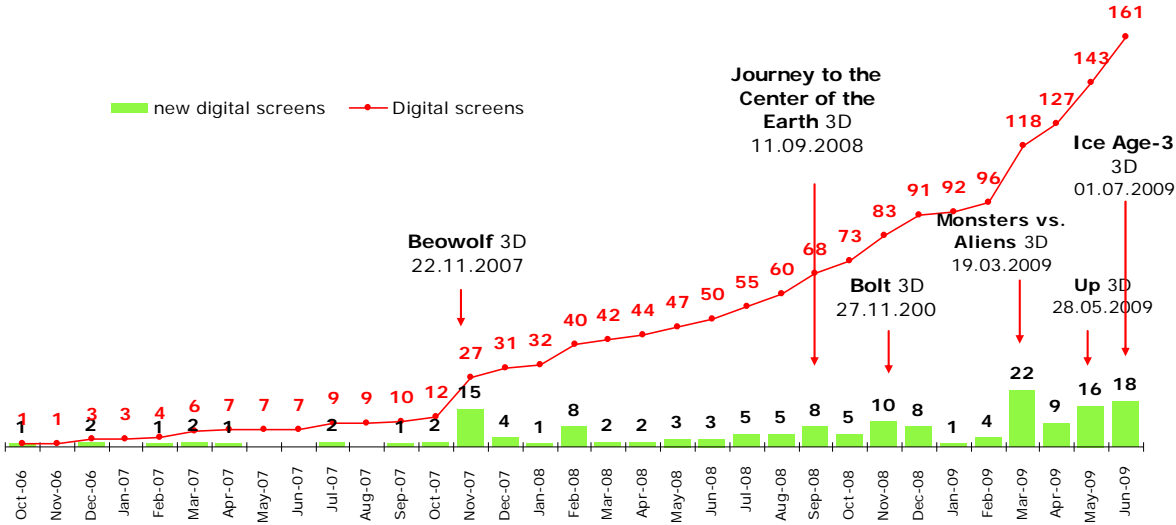


Source: Film Business Today Magazine (CIS data, 2005-2008 excluding Ukraine),
Nevafilm Research (Russia estimation: 2008- 96,5%,
2005-2007 - 97%, 2004 - 85% of CIS data)

Perspectives for future growth may however be limited by a slow-down in the rate of creation of modern cinemas. Though the overall number of screens in Russia has been almost halved since 2005, the number of modern screens has grown at an annual average rate of 24% since 2004. By July 2009, Russia had 1,949 modern screens in 756 sites, with 51% of these screens located in shopping and entertainment complexes. Growth shows signs of slowing, though, as the economic recession curbs commercial construction and as major urban centres reach screen saturation.

Digital cinema arrived in Russia in October 2006, with the opening of the first DCI compliant-screen in Saint Petersburg. By July 2009, 161 digital screens were available, representing 8% of the total screen base, with a quarter of these concentrated in Moscow. As elsewhere, digital 3D has been a significant impetus for growth, with almost all of Russia's digital screens equipped with 3D technology.

Figure 2: Total digital screens and new digital screen openings in the Russian Federation



Source: NevaFilm Research

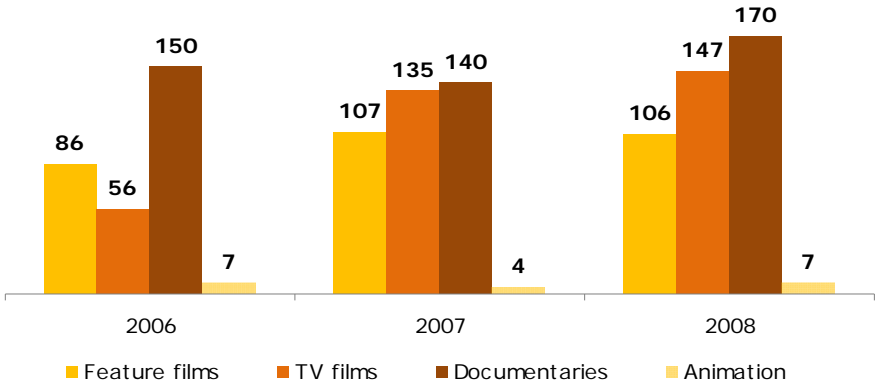
...but the production sector starts to cool

Since the success of *Nochnoy Dozor (Night Watch)* in 2004, films produced by Russian companies have made a significant contribution to the revival of the market. Overall investment in production between 2004 and mid-2009 was over RUB 62 billion, of which just over half went to the production of TV films and series, with feature production representing a RUB 25 billion share. In parallel, investment started flowing into the production services sector, with extensive restructuring, upgrading and construction taking place.

Since late 2008, however, tensions have become evident. The Ministry of Culture of the Russian Federation, a major investor in local production, has redirected all 2009 funding to the completion of existing films, so no new projects will receive financing during the year. National television channels have revised downwards investments and acquisitions and prices for rights have shrunk. Changing

conditions have sparked consolidation among production companies and concerted efforts have been made by the newly-created Association of Film and TV Producers to contain spiraling production costs. In the services sector, plans for the construction of new studio space have been postponed or cancelled, and existing facilities are operating below capacity.

Figure 3: Number of feature-length films produced in the Russian Federation



*Data includes full-length films for theatrical and TV release
Source: The Russian Federation Ministry of Culture, RFilms, company data*

DVD sales show signs of weakness

Concerted anti-piracy measures between 2004 and 2006 have paved the way for growth in the market for licensed DVDs, though the segment still remains underdeveloped. Total market volume reached 83.8 million units sold in 2008, up 24% on 2007. Locally-produced content accounted for around 20% of all releases in 2008, with five Russian feature titles appearing in the top ten titles by unit sales in the same year. Overall, feature films are the predominant genre, accounting for almost three-quarters of all titles released.

According to local trade publication, *Videomagazine*, quoted in the report, the number of new releases was down and sales slowed during the first six months of 2009. If this trend is maintained the full year results could slip back by as much as 8% year-on-year.

The Film Industry in the Federation of Russia

**A new report by Nevafilm Research and Rfilms.
Published by the European Audiovisual Observatory**

This report includes a description of the institutional framework of the Russian film industry as well as an overview of its functioning. Separate chapters provide detailed analysis of the various branches: film production for cinema and TV, the production services sector, cinema exhibition and theatrical and DVD distribution.

A number of topics are dealt with for the first time in recent publications on the Russian film industry. These include:

- An outline of **state policy** governing Russian cinematography;
- Activities of **federal, regional and local authorities** in cinematography;
- **Regulation** of cinematographic activity;
- The system of **state support for cinematography**;
- Activities of civil organizations;
- Structure and market volume of **film production for cinema and TV** from 2006 to 2009, including analysis of production of TV films and series, feature films and animation films;
- Structure and turnover of the **film production facilities** sector including service companies, film studios and information on new projects in studio construction;
- Modern **cinema exhibition** in Russia from 2004 to 2009 (cinema sites and theatres in retail and entertainment complexes, multiplexes, digital cinema screens, IMAX theatres, and SimEx 4D);
- **Theatrical distribution** in Russia, market volumes of film distribution 2004 to first half 2009;
- Distribution of Russian films in Europe;
- **The market for licensed video** in Russia; market volumes for DVD distribution 2008 to 2009;
- **Principle players** in all branches are listed and described: production for cinema and TV, production facilities, cinema exhibition, film and video distribution.

The report is available in Russian and in English.

The Russian version of the report will be presented to Russian cinema professionals at a workshop on “**The Russian film industry in its European context**” which will take place on 1 December 2009 in the framework of the 80th Moscow International Film Market at the Cosmos Hotel, Moscow. (Galactica room, 2nd floor, 14.00-16.00).

Among the eminent guests at the workshop will be **Vladimir Grigoriev**, Executive Councillor, Federal Agency for Press and Mass Communication of the Russian Federation; **Wolfgang Closs**, Executive Director, European Audiovisual Observatory and **Alexander Golutva**, Deputy Minister of Culture of the Russian Federation.

The English version of the report is available for download, free of charge, on the website of the European Audiovisual Observatory, at the following address:

Notes for Editors

The European Audiovisual Observatory

Set up in December 1992, the European Audiovisual Observatory's mission is to gather and distribute information on the audiovisual industry in Europe. The Observatory is a European public service body comprised of 36 member states and the European Community, represented by the European Commission. It operates within the legal framework of the Council of Europe and works alongside a number of partner and professional organisations from within the industry and with a network of correspondents. In addition to contributions to conferences, other major activities are the publication of a Yearbook, newsletters and reports, the compilation and management of databases and the provision of information through the Observatory's Internet site (<http://www.obs.coe.int>).

Nevafilm JSC

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

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RFilms (Invest Collegium Ltd)

RFilms specializes in research in the field of film industry financing and public administration. Since 2008, the company has carried out projects aimed to promote Russia on the international film production market, develop cooperation between Russian and international film producers through co-production, and attract foreign filmmakers to shoot in Russia. The company organizes the annual Moscow Co-production Forum as part of the Moscow International Film Festival.

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