CINEMA FUND

RUSSIAN FILM INDUSTRY – 2017

brief edition

ABOUT

Below is the brief edition of the Russian Film Industry – 2017 Study. It was conducted by the order of the Federal Fund for Economic and Social Support of the Russian Cinematography (Cinema Fund) to provide an objective analysis of the main figures of Russian film industry for 2017. The Study covered the state of film distribution and exhibition markets, television infrastructure (terrestrial and pay TV), film production and government support of the film industry, education, festivals etc.

The Study used data from Russian Cinema Fund's Analytics (RCFA).

Full version of the Study is available at http://rcfa.ru

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FILM DISTRIBUTION

Growth of Russian film distribution market as a result of increase in cinema attendance. Russian films became the growth driver of the market.

In 2017, the Russian film distribution market grew 11% to 53.6 billion rubles (US$917 million), compared to 48.3 billion rubles (US$722.6 million) in 2016. Attendance increased 11.5%, with 213.5 million tickets sold. The average ticket price, meanwhile, was down to 250.9 rubles (from 252.2 rubles in 2016). The average ticket price dropped to 250.9 rubles or US$ 4.3 (in 2016 - 252.2 rubles). Average annual admissions per screen in 2017 was 22, as well as the year before. 578 films were distributed, of which 472 were films released in 2017.

Russian films achieved record results becoming a driving force for the local film distribution market as a whole. Calendar box office revenue brought by Russian films grew 50% compared to 2016, from 8.6 billion rubles to 13 billion rubles (24.3% of the total box office earnings). Foreign films box office revenue remained at the 2016 level, achieving 40.6 billion rubles (the 2016 result was 39.7 billion rubles). Russian films attendance was 54.7 million people, or 25.6% of the total. Thus, every one in four tickets bought was to a Russian film screening.

Calendar figures of Russian and foreign films*, 2017

	Box office gross, rubles	Box office gross, US$	Admissions	Screenings	Average ticket price, US$
Russian	13,025,214,336	222,099,940	54,718,249	2,429,442	4.06
Foreign	40,550,867,106	695,401,692	158,813,368	7,082,062	4.38
Total	53,576,081,441	917,501,632	213,531,617	9,511,504	4.30
Share of Russian films	**24,3%**	**24,2%**	**25,6%**	**25,5%**	

Source: RCFA
Russian film distribution market
**For the period from 01.01.2017 till 31.12.2017*

Russia is the biggest European market in terms of admissions in 2017.
Russian film distribution market holds the 10th place in the world and the 4th in Europe in terms of gross box office revenues in 2017.

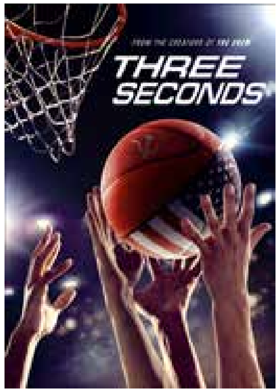
Source: The European Audiovisual Observatory

For films in the Russian distribution, a box office higher than 1 billion rubles (US$ 17 million) is a significant achievement. Over the recent years, 10-12 films were released annually that broke the barrier. Three Russian releases made it into the top 10 of box-office hits: Three Seconds (2.95 billion rubles; US$ 51.4 million), The Last Knight (1.7 billion rubles; US$ 28.4 million), and Attraction (1.0 billion rubles; US$ 17.5 million) taking the first, the third, and the 10th positions respectively. Three Seconds, the top 10 leader, became the 2nd highest grossing release in contemporary Russian history, losing only to Avatar.

Top 10 releases in Russian distribution, 2017

No.	Film title	Release date	Country of origin	Distributor	Box office revenue, rubles	Box office revenue**, US$	Admissions
1	Three Seconds	28.12	Russia	CP	2,945,050,229	51,428,359	11,914,545
2	Pirates of the Caribbean: Dead Men Tell No Tales	25.05	USA	WDSSPR	2,118,740,839	37,433,753	7,966,629
3	The Last Knight	26.10	Russia	WDSSPR	1,655,572,805	28,403,898	7,320,599
4	Guardians of the Galaxy Vol. 2	04.05	USA	WDSSPR	1,468,810,341	25,482,936	5,259,232
5	The Fate of the Furious	13.04	USA	UPI	1,429,982,113	25,309,034	5,249,850
6	Despicable Me 3	29.06	USA	UPI	1,393,147,832	23,344,227	6,643,398
7	The Boss Baby	23.03	USA	FOX	1,376,210,849	24,133,278	6,230,677
8	Jumanji: Welcome to the Jungle	21.12	USA	WDSSPR	1,280,899,488	22,164,381	4,722,297
9	Thor: Ragnarok	06.11	USA	WDSSPR	1,230,861,338	20,900,409	4,270,846
10	Attraction	26.01	Russia	WDSSPR	1,038,403,174	17,451,803	3,834,382

Source: RCFA
CP – Central Partnership/FOX - 20th Century Fox CIS/WDSSPR – Walt Disney Studios Sony Pictures Releasing/ Universal Pictures International Russia
***Box office figures are indicated as of March 12, 2018*



INTERNATIONAL DISTRIBUTION

The growing significance of Russian films' international distribution.

Since 2015, the number of Russian films distributed in other countries grew 44% (from 43 to 62), while total box office in foreign markets quadrupled (from US$11 million to US$44 million), indicating of a steady interest of foreign moviegoers in Russian film projects.

With that in mind, the supervisory board of Cinema Fund established a new KPI (key performance indicator): the volume of admissions of Russian films abroad. This metric would be used to evaluate the development dynamics of Russian film industry beginning from 2018.

10 highest-grossing Russian films in international distribution, 2017

Title	International box office, US$	Box office in Russia, US$	Share of international box office, %	Share of box office in Russia, %	Producer
The Guardians	7,085,561	4,544,823	60.9	39.1	Enjoy Movies, Renovation Entertainment
The Bride	5,520,855	2,946,728	65.2	34.8	Force Media
The Snow Queen 2: Refreeze	4,997,435	4,372,538	53.3	46.7	Wisart Film
The Snow Queen 3: Fire and Ice	3,926,839	4,507,382	46.6	53.4	Wisart Film
Viking	2,523,935	24,764,276	9.2	90.8	Film Direction
Loveless	2,391,629	1,670,813	58.9	41.1	Non-Stop Production, Fetisov Illusion
Urfin and His Wooden Soldiers	2,240,944	3,646,801	38.1	61.9	Melnitsa Animation Film Studio
Masha and the Bear	1,873,477	28,689	98.5	1.5	Animaccord
Savva: Heart of the Warrior	1,726,513	2,825,207	37.9	62.1	Glukoza Production, Art Pictures Studio
Attraction	1,602,970	17,450,390	8.4	91.6	Vodorod 2011, Art Pictures Studio

Box office is indicated for a calendar year.

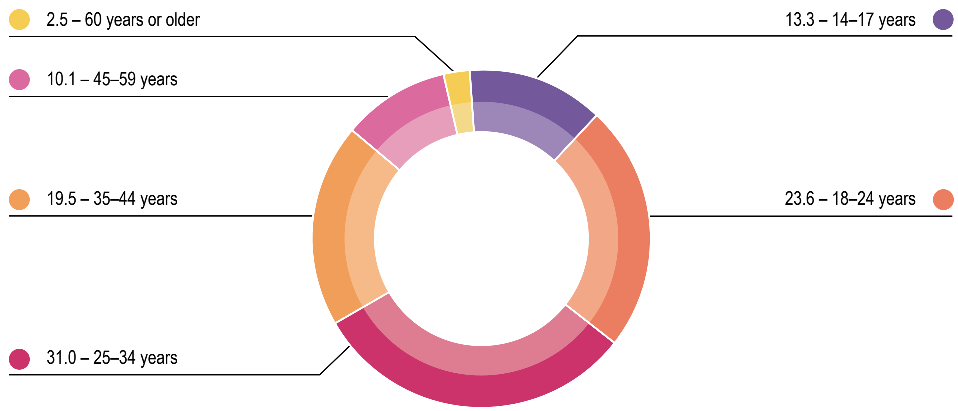
AUDIENCE

Key drivers of attendance growth were both audience expansion and frequency of admissions increase

Over the past year, the cinema audience in Russia increased, grew more mature, and began to visit the cinema more often. The share of the "core" (18 to 24 years) decreased 3%, while percentage of moviegoers over 35 years old grew substantially. One in four moviegoers (27%) visited movie theatres more frequently than the year before. Additionally, percentage of family audience significantly increased.

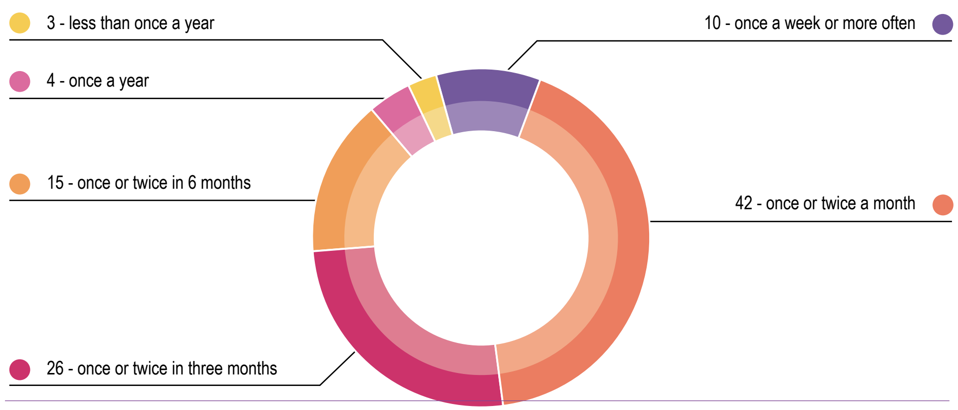
An average moviegoer was 30 years old, went to the cinema once or twice a month, and watched 15 films during last year, choosing a film to watch more than a day in advance before screening.

Cinema audience by age, %



Source: Cinema Fund with VCIOM

Frequency of admissions, %



Source: Cinema Fund with VCIOM

EXHIBITION

The growing availability of modern digital cinema services

Over the past year, the cinema audience in Russia increased, grew more mature, and began to visit the cinema more often. The share of the “core” (18 to 24 years) decreased 3%, while percentage of moviegoers over 35 years old grew substantially. One in four moviegoers (27%) visited movie theatres more frequently than the year before. Additionally, percentage of family audience significantly increased.

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Sites and screens in Russia, 2017

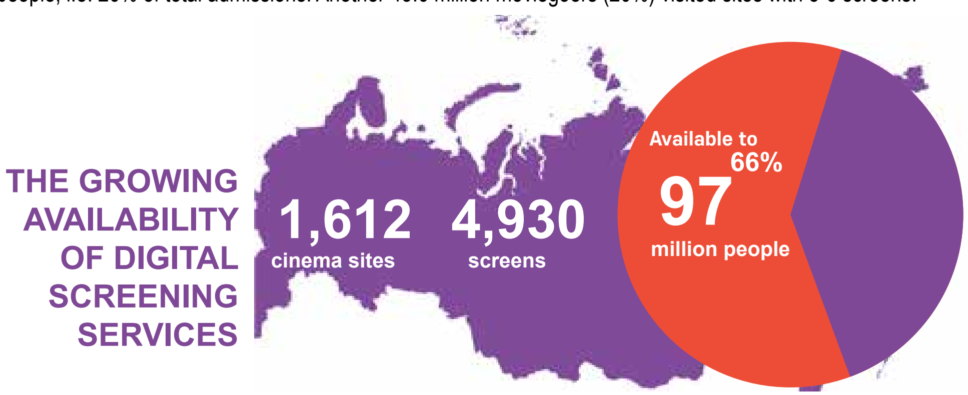
	Number of sites	Number of screens
All digital movie theatres engaged in film screening in 2017	1,646	5,003
Active digital movie theatres as of December 31, 2017	1,612	4,930

Source: Cinema Fund

The best trend of cinema provision level is seen in cities with population from 500,000 to 1 million. Additionally, a significant growth was achieved in communities with a population of less than 100,000, thanks to the program of small-town movie theatres modernization being implemented by Cinema Fund. From 2015 to 2017, there were four stages of competitive selection of the movie theatres participating in the program. During this period, funds were allocated for the modernization of 639 screens in 74 Russian regions. As of December 31, 2017, 426 of them were operating.

Single-screen sites account for 45% of the total number of movie theatres. In 2017, their number increased by 185 compared to 2016 and amounted to 735 sites. The single-screen sites accounted for only 7.5% of admissions and 6.1% of box office. Two-screen sites occupy the second place (276).

The largest share of admissions fell to the sites with 7-8 screens. They were visited by a total of 55.8 million people, i.e. 26% of total admissions. Another 43.6 million moviegoers (20%) visited sites with 5-6 screens.



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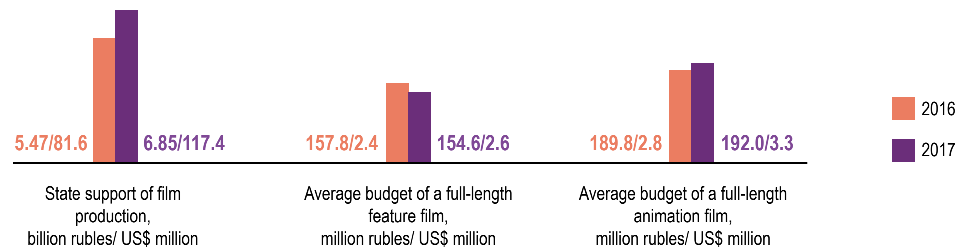
FILM PRODUCTION

The state support of Russian film industry is provided both by the Ministry of Culture and by Cinema Fund. Each has its own dedicated activity areas: The Ministry of Culture supports production and distribution of films for kids and teenagers, as well as debuts, auteur, experimental motion pictures, documentaries, popular-science, and animation films. The mission of Cinema Fund is to support the production of mainstream movies, improve their quality and competitiveness, as well as to promote Russian films within the country and abroad.

As part of its financial film support initiatives, the Ministry of Culture allocated about 3 billion rubles in 2017. A total of 70 feature films was put into production (including 42 auteur movies, 18 debuts, and 10 children’s films), as well as 211 non-feature and 265 animation films.

The Cinema Fund helped allocate another 3 billion rubles through subsidies in addition to reinvesting 1,616.2 million rubles into the industry, repaid by its members following the production and/or distribution. Of that amount, 847 million rubles were invested in film production, while the rest was used for distribution and development of new film projects. Cinema Fund allocated money for producing 48 feature films and 9 animation films, as well as for developing 11 film projects.



In 2016, Cinema Fund launched a program for establishing Film Commissions, aimed at encouraging movie production companies to create motion pictures in the territories of federal subjects (constituent entities) of Russia, including some through rebates enabling partially recovery of costs incurred while filming in a region of the country. As of today, first Film Commissions have been founded, while in the budgets of federal subjects funds have been allocated for the rebates; in addition, payment terms and procedures have been developed along with other region-specific tools for attracting film production teams.

FILM FESTIVALS AND AWARDS

In 2017, Russia hosted 157 film festivals of various kinds, including 7 regional, 38 national, and 112 international. State support through the Ministry of Culture was provided to 46 festivals (28%).

Russian films received 16 awards at the largest international film festivals in 2017.

Russian films awarded at 2017 international film festivals

Festival	Award	Film	Received by
The 70th Cannes Film Festival	Jury Award	Loveless	Director Andrey Zvyaginmtsev
	International Federation of Film Critics Prize in the Un Certain Regard section	Closeness	Director Kantemir Balagov
The 74th Venice Film Festival	Best remastered film award (Venice Classics)	Come and See	Director Elem Klimov
BFI London Film festival	Grand Prix in the feature film competition	Loveless	Director Andrey Zvyaginmtsev
The 20th Shanghai Film Festival	Golden Trophy for best screenplay	Kharms	Screenwriter Ivan Bolotnikov, Sergei Soloviev
	Golden Trophy for best cinematography	Kharms	Camera Szandor Berkesi
The 39th Moscow International Film Festival	Special jury prize	Meshok bez dna	Director Rustam Khamdamov
	People’s Choice Award	Karp otmorozhennyy	Director Vladimir Kott
	Prize of the Federation of Cinema Clubs of Russia	Meshok bez dna	Director Rustam Khamdamov
The 52nd Karlovy Vary Film Festival	Best actor	Aritmiya	Alexander Yatsenko
	Best film	How Vitka Chesnok Took Lyokha Shtyr to the Home for Invalids	Director Alexander Hant
Satellite over Poland Film Festival in Warsaw	Grand Prix in the feature film competition	Aritmiya	Director Boris Khlebnikov
	People’s Choice Award	Aritmiya	Director Boris Khlebnikov
	Silver award	Hostages	Director Rezo Gigineishvili
	Special diploma	Vsya nasha nadezhda	Director Karen Gevorkian
	Grand Prix in the documentaries competition	Close Relations	Director Vitaly Mansky
	Special diploma	Sobirateli morskoy travy	Director Maria Murashova

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CINEMA EDUCATION

The leading Russian film school is the Russian State Institute of Cinematography named after S.Gerasimov (VGIK). The institute offers training in virtually all cinemarelated professions in its faculties, which include direction, cinematography, animation/multimedia, and art schools, as well as screenwriting/film studies, producing and economics. In 2017, the school added a new profession, the distribution producer.

In 2017 Russia had 27 film schools, training courses and private cinema universities. Almost all of the cinema schools, training courses and private cinema universities are in Moscow. Exceptions include the St. Petersburg Television School (it is located in St Petersburg and has divisions in Moscow and Yekaterinburg) and Sverdlovsk Film Studio School, which is located in Yekaterinburg.

Russian cinema universities, film schools, and training courses mostly prepare film directors – the corresponding program is found much more often than others both in state and private educational institutions. Film producing and cinema economics programs hold the second position in terms of availability in the country. Screenwriting programs have the same prevalence rate in film schools, training courses, and private universities. Acting is the third most widely available profession in state universities, while cinematography has the same availability in film schools and private universities.

The Russian film industry is short on secondary rank professionals, such as screenwriters, assistant directors, props, sound producers, and light technicians. Additionally, in recent years there has been a sharp increase in demand for IT specialists whose skills are needed both for film production and screening. Training of such talent (for example, in areas like CGI) is beyond the traditional education programs for cinema-related professionals. To compensate for

the shortage of specialists, some film studios establish training courses on their own premises. Universities also offer internships to students, aiming to familiarize them with the production process. To a certain extent, those forms of education help bridge the gap between theory learned during training and the current requirements of the industry.

State universities offering cinematography programs

No.	Training program / University name	Direction of films and TV programs	Sound production	Acting	Cinematography	Film producing and economy	Screenwriting	Film studies	Production designer skills	Animation and multimedia	Cinema technologies	Distribution producing
1	Russian State Institute of Cinematography named after S.Gerasimov (VGIK)											
	Sergiev-Posad VGIK Division											
	Rostov-on-Don VGIK Division											
	Irkutsk VGIK Division											
2	Saint-Petersburg State University of Film and Television											
3	Orel State Institute of Culture											
4	North Caucasus State Institute of Arts											
5	Moscow State Institute of Culture (formerly MGUKI)											
6	National Research University Higher School of Economics (Media and PR Division)											

Sources: websites of the universities

TELEVISION

TV channels play an increasingly significant role in the production and promotion of major high-budget motion pictures. The support from TV channels with the most audience reach helps bring film advertising campaigns to an all-Russian level, helping to maximize the number of moviegoers and create film distribution leaders.

Specifically, Channel one participated in the production and promotion of The Spacewalker and Viking, while Russia 1 supported Three Seconds, The Last Knight, Attraction, Salyut-7, Bolshoy, and Urfin and His Wooden Soldiers. TNT participated in the filming of Gogol TV series (licensed for release on TV-3), of which the first two episodes were widely distributed in movie theatres as a feature film entitled Gogol'. Nachalo.

Notably, out of five Russian films that attracted the most attention of TV viewers in 2017, three were created with support from TV channels: Flight Crew (Russia 1), The Spacewalker (Channel one), and Attraction (Russia 1).

Top 5 Russian 2000-2017 films on TV, 2017

No.	Title	Film company	Channel	Audience, thousand people	Rating, %	Audience share, %
1	Flight Crew	Three T Production of Nikita Mikhalkov	Russia 1	6,302,855	9.1	26.1
2	Panfilov's 28	Dvadtsat vosem panfilovtsev Film Company	Channel one	3,799,252	5.5	17.0
3	The Spacewalker	TaBBaK	Channel one	3,456,965	5.0	17.8
4	Attraction	Art Pictures Studio	Russia 1	3,311,910	4.8	14.2
5	Wonderland	All Media Company	Channel one	2,967,253	4.3	12.3

Source: InterMedia, using data from Mediascope (a TV Index project)

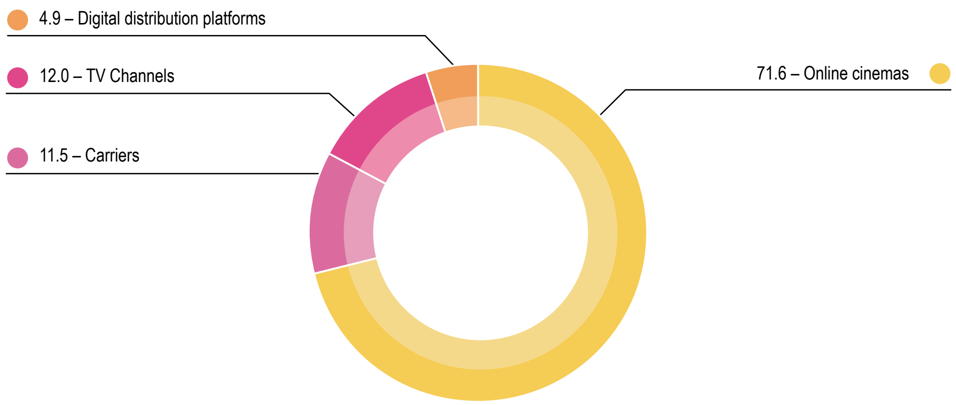
VIDEO-ON-DEMAND SERVICES

The growing market of legitimate video-on-demand services

In 2017, the market volume of legitimate paid video-on-demand services achieved 15.9 billion rubles. For the advertising-based content monetization model, 2017 trends included ad impact audits, increasing importance of offline conversions for advertisers, and partnerships between TV channels and online cinemas. As for the subscription-based model, there was an active growth of the number of SVOD customers and a corresponding growth of subscription revenues (with the share of subscription doubling almost every year, leaving behind other models), growth in availability of unique services from online cinemas, as well as an increase in export to foreign markets.

Online cinemas are leading in terms of revenue. In 2017, they earned 11.37 billion rubles, increasing their market share from 70% to 71.6%. Following online cinemas are TV channels, whose share grew to 12%, while revenue reached 1.91 billion rubles. Subscription TV service providers saw their share fall from 12.2% to 11.5%, earning 1.83 billion rubles over the year. Digital content distribution platforms continue to lose their market share, which fell from 5.9% to 4.9%. The combined revenue of the sector was 780 million rubles in 2017.

Revenue shares of legitimate video services by segment, 2017, %



Source: J'son & Partners Consulting

Online cinemas kept improving their standing, growing their viewer base and earnings, which can be seen from financial reports published by the major players in the market.

The development of video services market meant more attention on the part of regulatory authorities. Specifically, 2017 saw the passing of the law establishing a definition of an audio-visual service along with the framework governing the operation of such a service.

SUMMARY

Key performance indicators of the Russian film industry, 2016-2017

Film distribution

	Calendar box office revenue, billion rubles	Calendar box office revenue, US$ million	Release box office revenue, billion rubles	Admissions, million	Total releases
2017	53.6	917.5	55.1	213.5	472
2016	48.3	722.6	50.5	191.6	486

Annual growth rate, %

	By box office, rubles	By box office, US$	Admissions
2017	+11.0	+27.0	+11.5
2016	+11.0	+1.8	+10.3

Russian films in distribution

In Russia

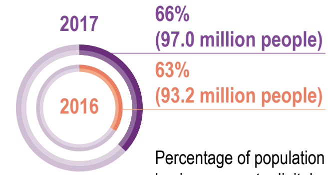
	Calendar box office revenue, billion rubles	Calendar box office revenue, US$ million	Box office share of Russian films, %	Admissions, million	Admissions share of Russian films, %	Total releases
2017	13.0	222.1	24.3	54.7	25.6	123
2016	8.6	128.7	17.8	35.2	18.4	156

Abroad

	Box office revenue, US$ million	Number of films	Admissions, million
2017	44.3	62	10.7
2016	47.8	56	9.3

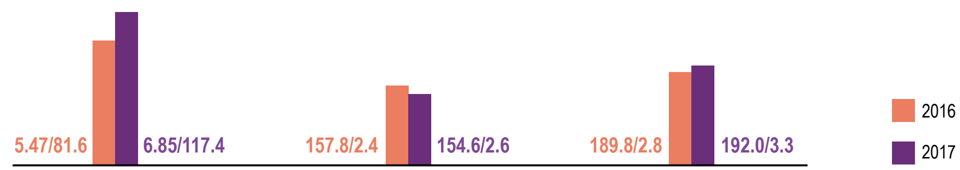
Exhibition

	Number of cinema sites by the end of the year	Number of screens by the end of the year	Number of screenings, million	New cinema screens opened as part of the modernization program
2017	1,612	4,930	9.5	239
2016	1,367	4,491	8.6	187



Percentage of population having access to digital cinema services

Film production



State support of film production, billion rubles/ US$ million

Average budget of a full-length feature film, million rubles/ US$ million

Average budget of a full-length animation film, million rubles/ US$ million

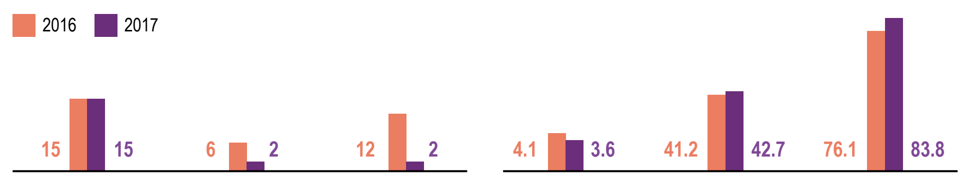
Festivals

2016	2017
8	16

Number of awards received by Russian films at class A international festivals

Video-on-demand services

Television



Feature film airtime percentage

Documentaries airtime percentage

Animation airtime percentage

New subscriptions growth rate, %

Subscriber base, million people

Subscription TV market volume, billion rubles

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