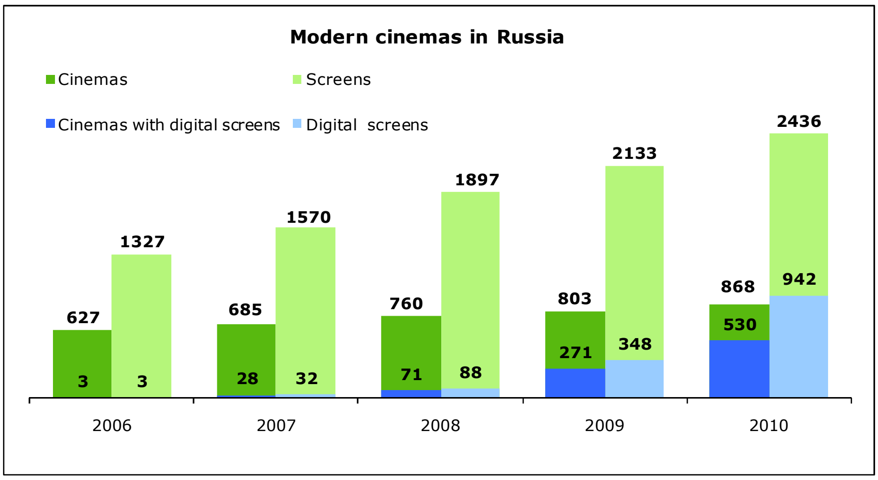
NEVAFILM RESEARCH™
Nevafilm
33-2B Korablestroiteley Street, St. Petersburg, 199397, Russia
Tel: +7 (812) 449-70-70, fax: 352-69-69.
http://www.nevafilm.ru

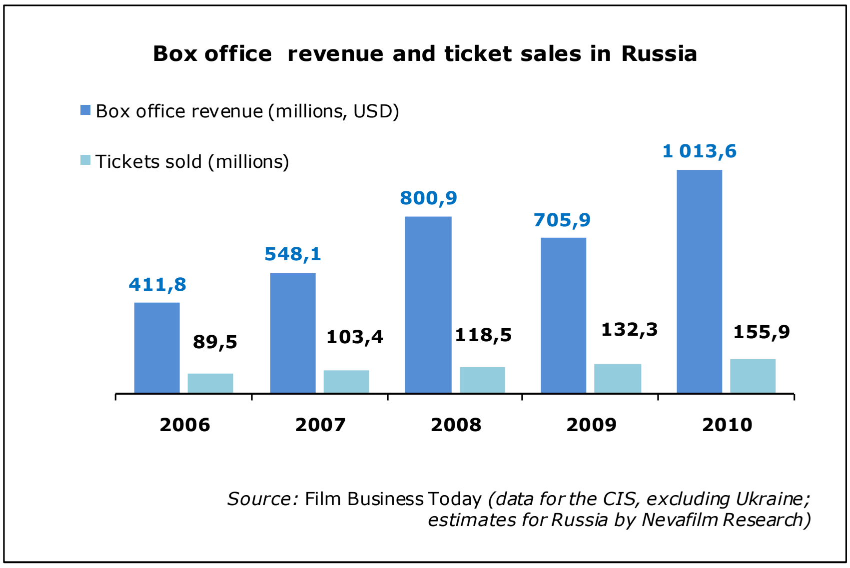
DIGITAL DISTRIBUTION IN RUSSIA: 2010 RESULTS

Ksenia Leontyeva, Eleonora Kolyenen-Ivanova, Nevafilm

On 01 December 2010, Russia had 2,436 modern screens in 868 cinemas. There were 942 digital screens in 530 cinemas, 938 of these able to project 3D.

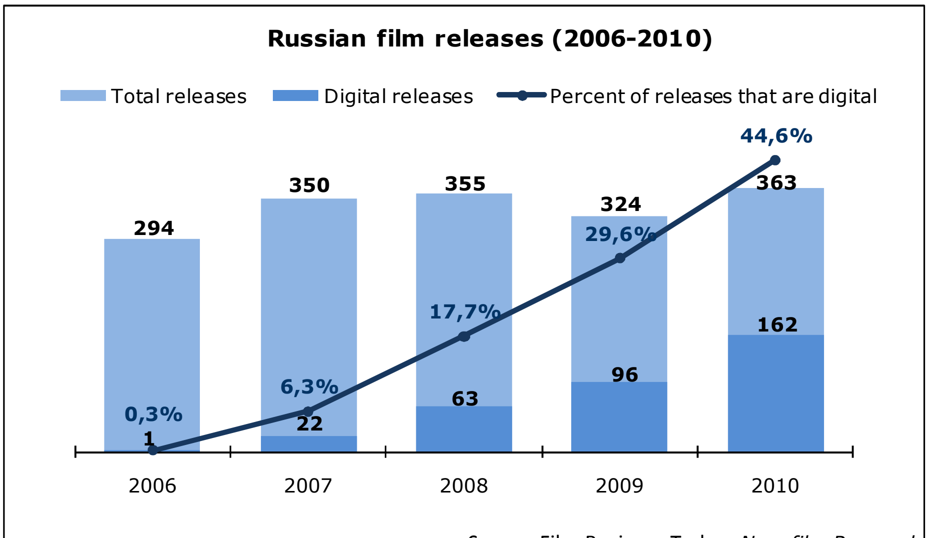


In 2010, the cinema market reached unparalleled heights, with box office returns exceeding USD 1 billion! *Russian Film Business Today* magazine reports that the film distribution market in the CIS (excluding Ukraine) earned USD 1.0574 billion, up 43.6% from 2009. According to estimates based on data from leading distributors, the Russian market alone brought in USD 1.0136 billion, or RUB 30.9 billion (using the year's average exchange rate of USD 1 to RUB 30.04). An estimated 155.9 million cinema tickets were sold in the Russian Federation, a 17.8% increase over 2009.



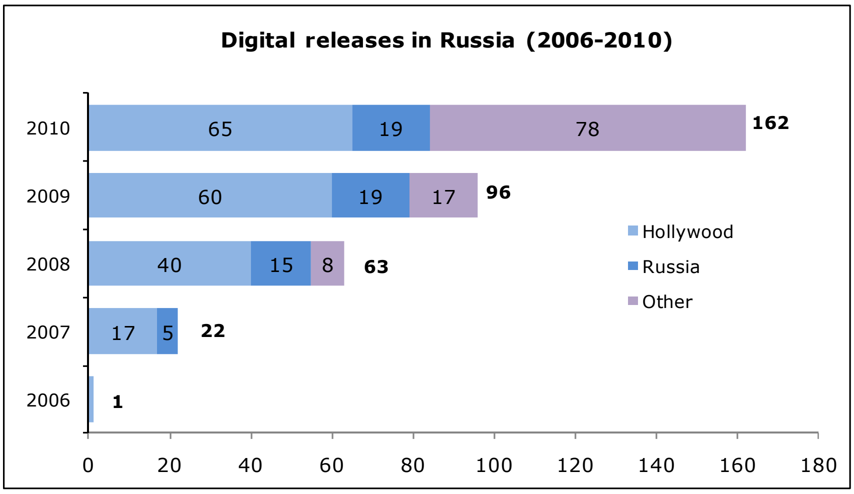
The total number of releases also grew during the 2010 film distribution year. 363 films, including 162 digital productions, were released, a 12% increase. The digital segment of the cinema market grew by 68%, up from 96 digital or hybrid (both 35mm and digital copies) releases in 2009:

figures for 2010 show that nearly half of all films released on the Russian market are now distributed in digital format as well.

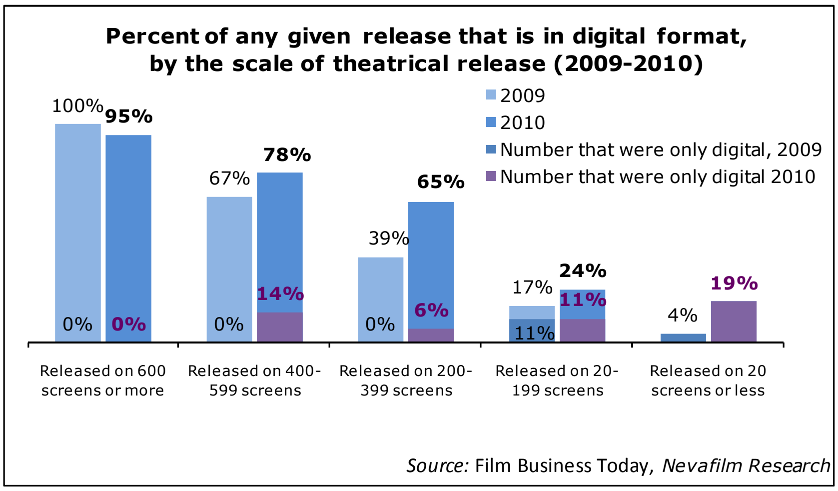


Source: Film Business Today, *Nevafilm Research*

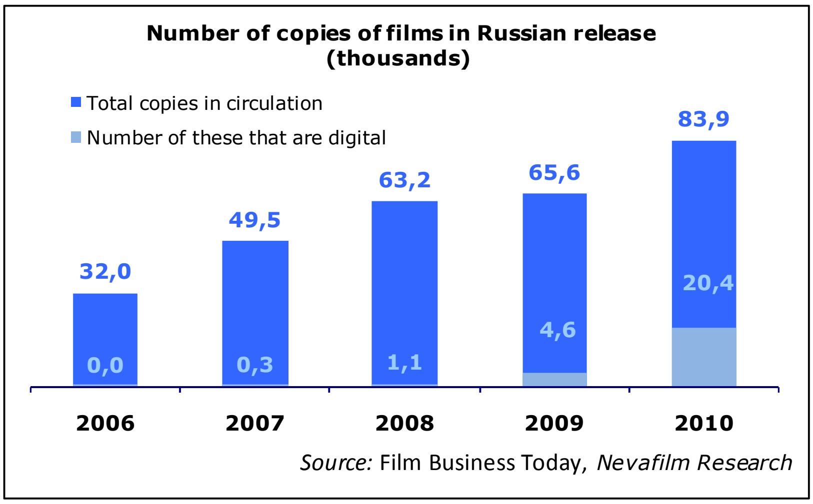
Furthermore, Russia's digital market has grown more diverse. Last year Hollywood studios distributed many films in digital format and they continued to do so in 2010, with an average of over 60 digital releases in each of their Russian market distribution packages. However, independent distributors made a more significant (360%) increase in the number of digital releases, from 17 to 78 films. This might be described as something of a breakthrough in the digital distribution market: while the 2009 digital market was clearly dominated by Hollywood majors, 2010 had independent distributors gaining access to digital screens as well.



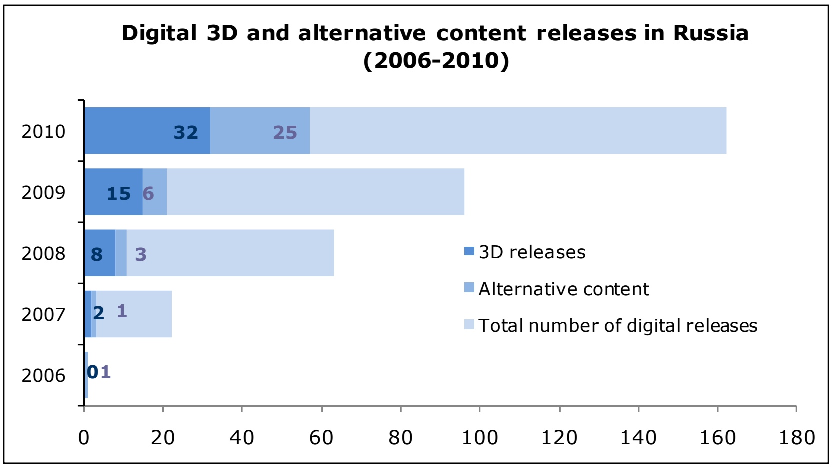
The practice of digital-only releases continued in 2010, with 42 such releases, a considerable increase from 15 in 2009. The average run for a purely digital release was 250 screens, excluding alternative content releases (of which there were 17 in 2010). To compare, in 2009 the average distribution of the top nine purely digital releases was 110 prints.



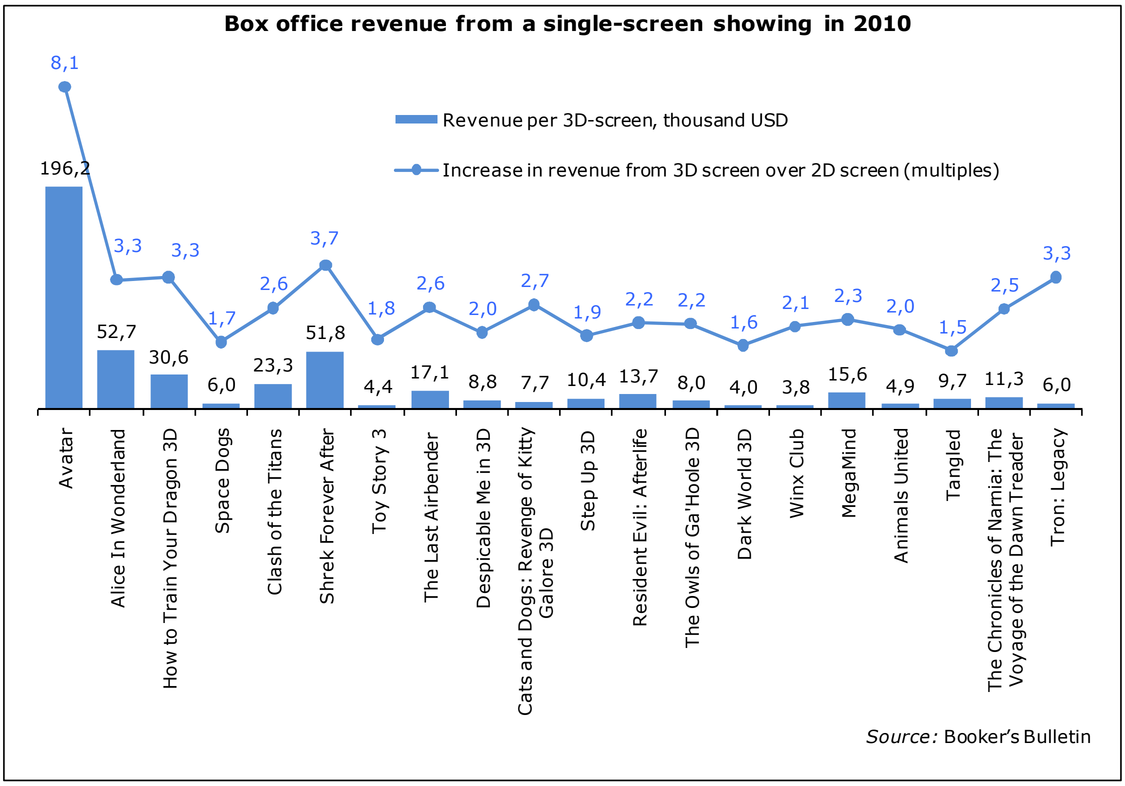
A quarter (24.4%) of the total number of prints distributed on the Russian market last year were in digital format, compared to 6.9% in 2009. This increase is more proof that Russia's distributors are adapting to the new format.



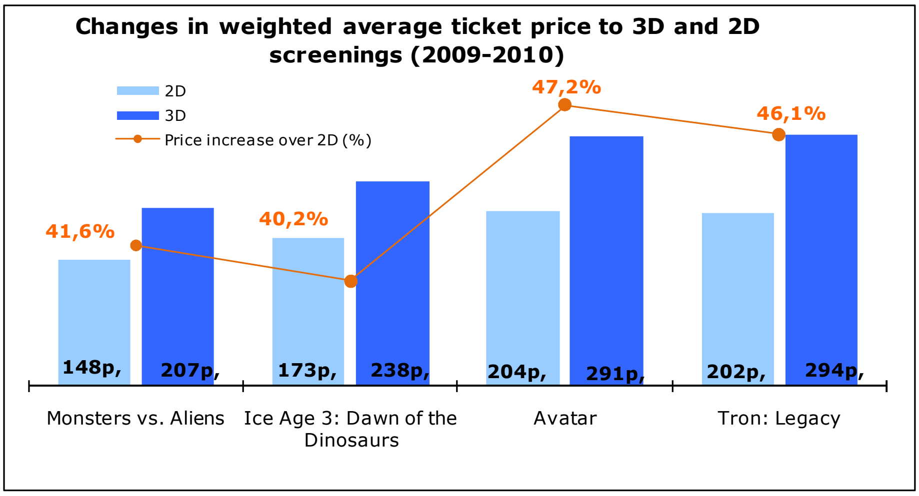
First-run blockbusters and 3D offerings dominate screens (2010 saw the number of 3D releases grow to 32), but Russian digital cinemas have begun offering a wider range of content. Twenty-five alternative content programs were screened in Russia last year, seven of which were screened live.



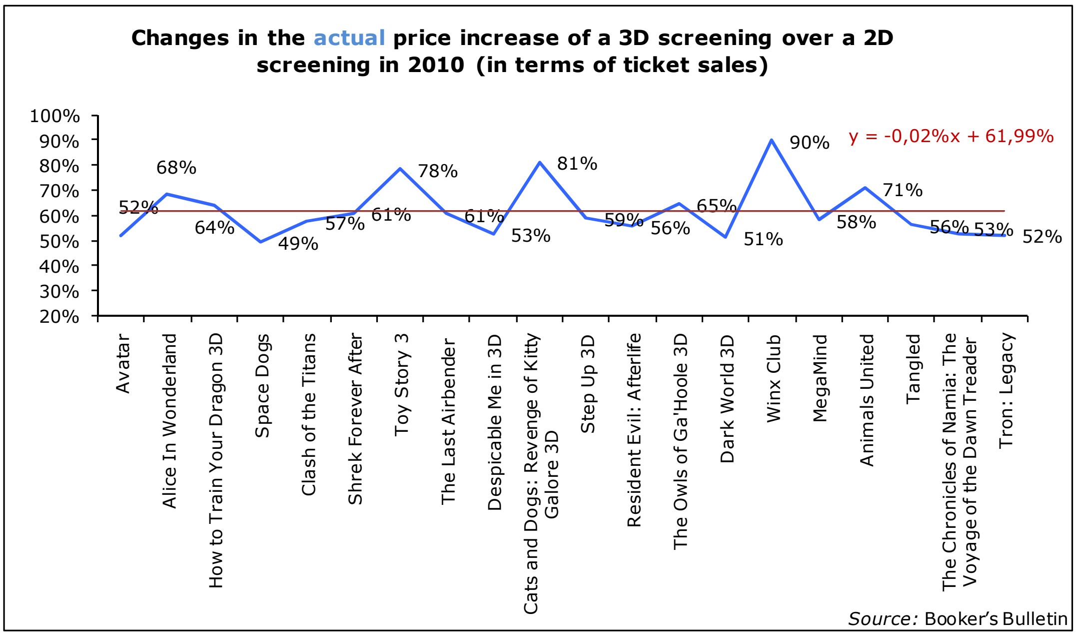
3D films remain relatively popular in Russia: according to *Booker's Bulletin*, takings for a digital 3D film are on average 2.7 times higher per screen than those for the same film in 2D (2.4 times if we exclude figures for *Avatar*).



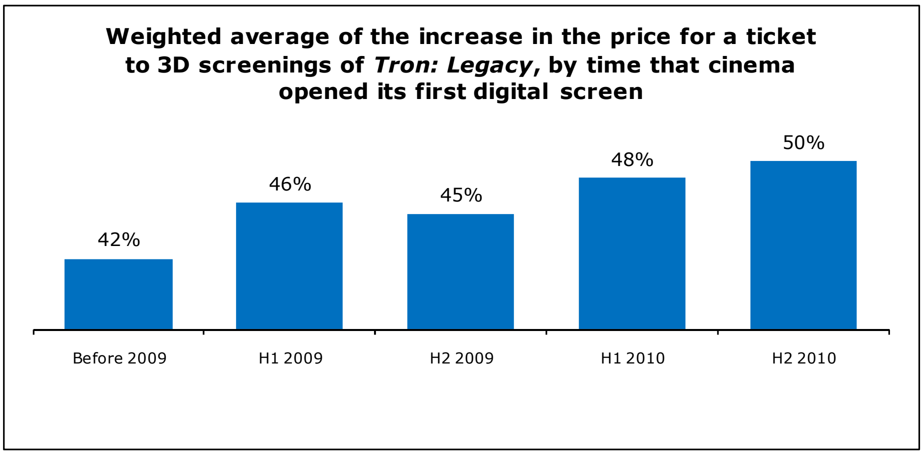
Further evidence that 3D is more than simply a passing fad can be seen in the fact that 3D tickets continue to attract a premium. **Ticket price** analysis carried out by Nevafilm Research on several 3D films in December 2010 and throughout 2009 demonstrates that tickets for 3D films are on average 46% more expensive than tickets for 2D films. This premium has hardly dropped since December 2009.



The actual price increase for 3D screenings is even more striking when the popularity of 3D screens is taken into account. According to *Booker's Bulletin*, 3D screens' popularity remained almost constant throughout 2010, though prices varied from film to film. On average, in terms of **ticket sales**, 3D films earned 62% more than conventional 2D releases.



The main reason for the persistence of this high mark-up for 3D films is the continued expansion of Russia's digital cinema network. Over the course of the year, the number of digital screens in the country grew by a factor of 2.7, and the number of towns and cities with digital screens grew from 109 to 197. As before, these newcomers to the 3D projection market are the driving force behind the maintenance of high 3D ticket prices.



Another factor emerged in 2010 which seriously influenced cinemas' pricing policies – whether or not they were part of a chain. In December 2010, independent digital cinemas were forced to charge lower prices for 3D tickets to *Tron: Legacy* than their chain-cinema competitors, regardless of whether these chains were national, regional or local. This demonstrates that digital projection no longer offers cinemas a competitive advantage, but rather has become a necessity if they are to survive, especially in the case of independent cinemas.