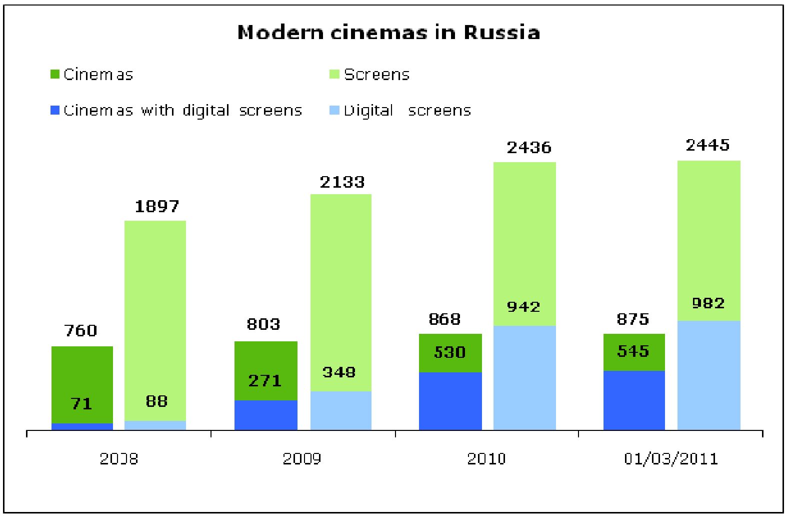
NEVAFILM® RESEARCH

Nevafilm JSC, 199397, Saint Petersburg
Korablestroiteley Street, 33/2b
Phone +7 (812) 449 7070, ext. 240
Fax +7 (812) 352 6969
E-mail: research@nevafilm.ru
http://www.nevafilm.ru

DIGITAL CINEMA EXHIBITION in RUSSIA – RESULTS FOR 2010 (as at 01 March 2011)

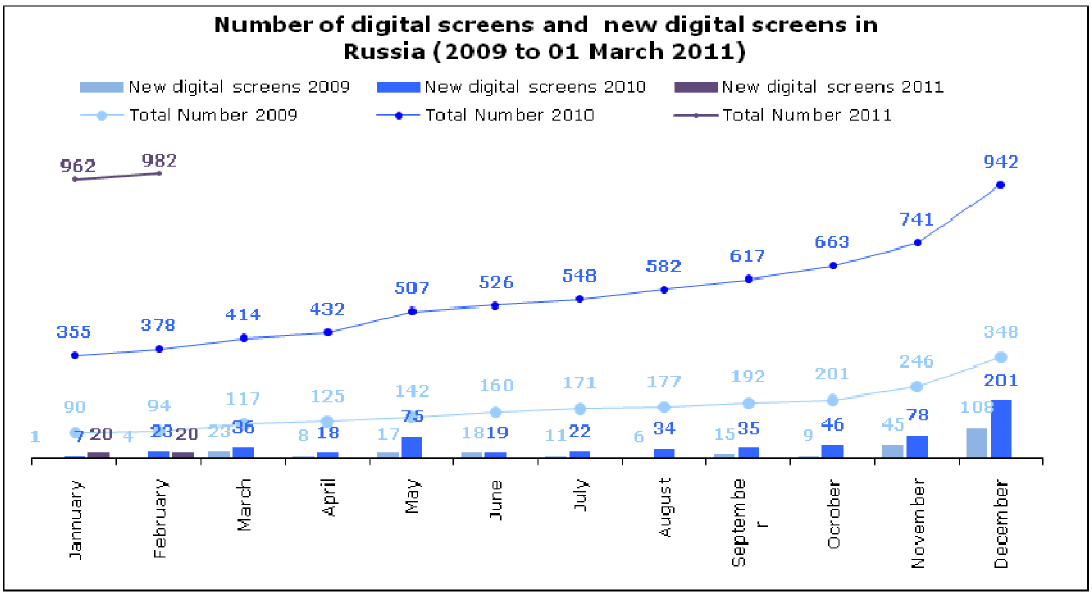
Ksenia Leontyeva, Eleonora Kolyenen-Ivanova, Nevafilm

As at 1 March 2011, Russia had **2,445** modern screens in **875** cinemas. There are now **982** digital screens in **545** cinemas, and 977 of these can project 3D.



Modern cinemas in Russia

2010 saw a phenomenal increase in the number of digital screens. 597 new digital screens were added in that year alone, and the number of cinemas offering digital projection grew by 261. A total of three screens in two cinemas were closed when the complexes where they were located were shuttered, and the digital projection equipment was moved to other cinemas owned by the operators. Overall, the digital exhibition market grew by **171%**. However, despite a glut of 3D releases, the second half of 2010 saw an end to the once-close correlation between increases in the number of digital screens and the release dates for 3D films. Nevertheless, there was another boom in digital screens in late 2010, with about 200 such screens operational in the run-up to the New Year holidays, traditionally the most profitable time for film releases in Russia.



Number of digital screens and new digital screens in Russia (2009 to 01 March 2011)

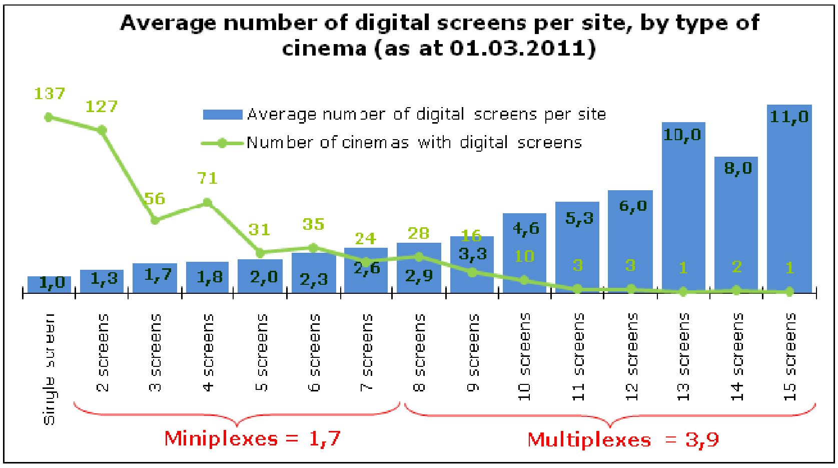
The development of digital cinema in Russia is mainly driven by the large exhibition chains' transition to digital projection (at present, 45% of digital screens are in theatres run by national chains) and by independent market players, primarily in small cities, who are interested in premiering films in the digital format (independent theatres own 32% of digital screens).

Top 10 largest cinema chain operators in Russia, as at 01 March 2011 (including franchises and repertory cinemas)

Rank as at 01 March 2011	Rank as at 31 December 2009	Cinema chain operator	Cinemas with digital screens	Digital screens	Market share by number of digital screens	Percentage of cinemas with digital screens in the chain	Percentage of digital screens in the chain	Head Office
1	1	Cinema Park	19	77	7.8%	100%	48%	Moscow
2	3	Karo Film	29	64	6.5%	91%	38%	Moscow
3	5	KinoStar	6	58	5.9%	100%	77%	Moscow
4	2	Luxor	18	44	4.5%	100%	45%	Moscow
5	4	Formula Kino	12	41	4.2%	100%	57%	Moscow
6	9	Kronverk Cinema	11	28	2.9%	75%	28%	St. Petersburg
7	8	Kinomax	20	27	2.7%	76%	23%	Moscow
8	25	Premier-Zal	20	21	2.1%	100%	38%	Yekaterinburg
9	7	Paradise	9	21	2.1%	45%	42%	Moscow
10	10	Monitor	10	19	1.9%	67%	43%	Krasnodar
Total for these cinema operators			**154**	**400**	**40.7%**	**28.3%**	**42.5%**	
Total in Russia			**545**	**982**	**100.0%**	**62.3%**	**40.2%**	

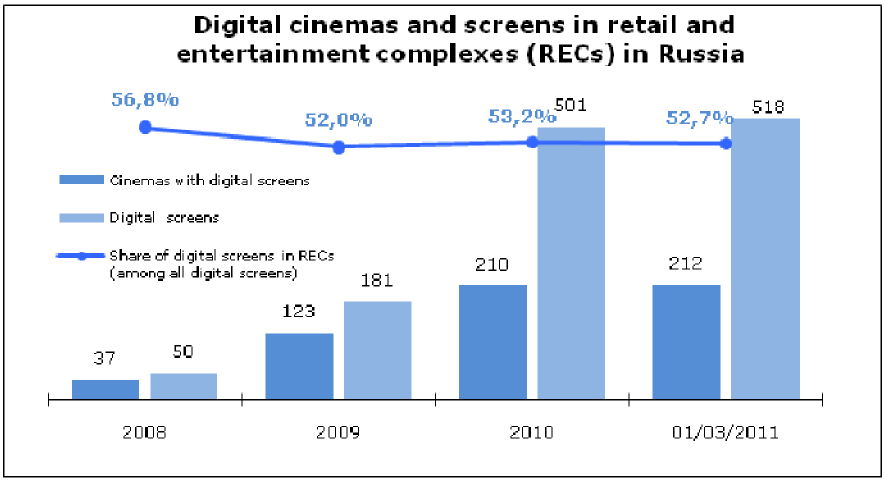
Cinema Park remains the digital market leader, with 77 of their screens (48%) equipped for digital projection. In the last year Karo Film, Kronverk Cinema, and Premier Zal made the greatest advances in the ratings. Of note is that Premier Zal is a local chain, and – in contrast with the large, national chains – is making the transition to digital without support from distributors, and is driven to increase the number of digital screens by their theatres' desire to host digital theatrical premieres. Meanwhile, in 2010 Russia's major cinema chains used their market leverage to appeal directly to the Hollywood studios, and were successful in securing remuneration akin to a virtual print fee in exchange for screening several digital films in their cinemas. 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 media 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 half to digital by 2015.

The current structure of the domestic digital film market is a result of the particular development of digital cinema in Russia, which is driven by the independent theatres on one hand and the large national chains on the other. 481 theatres with digital screens (88%) are miniplexes with no more than seven screens, 25% of which (137) are single-screen cinemas. The majority of these miniplexes (216 of the 481) are run by independent exhibitors with digital projection equipment for 1 or 2 screens per miniplex. Thus, the larger the multiplex (all of which belong to national chains) the more digital screens it offers. In Russia, KinoStar owns the largest of these multiplexes, with 13-15 screens apiece, and more than half of these screens are digital-equipped.

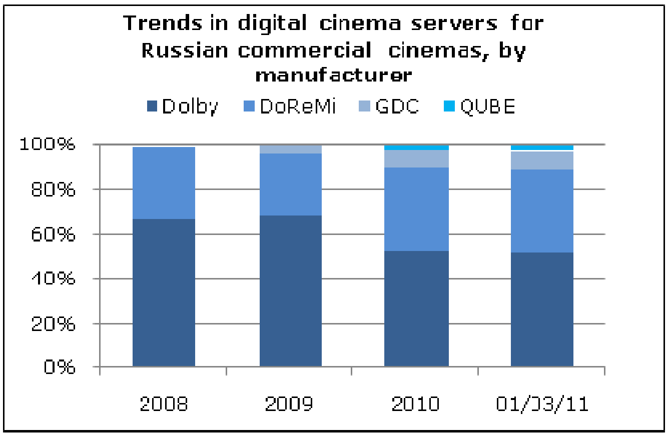


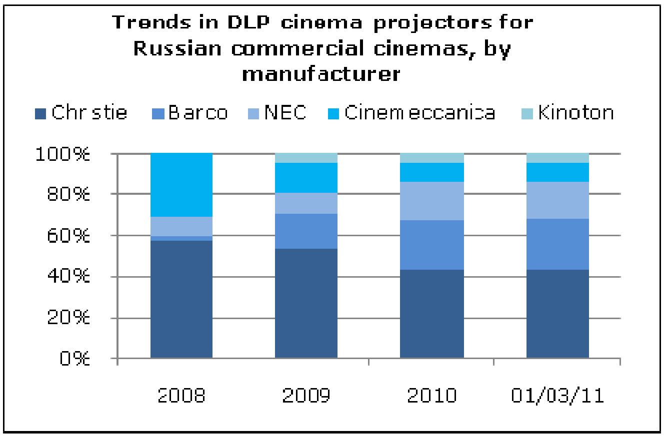
Aside from that, more than half of the digital screens in Russia are located in retail and entertainment complexes, which has an impact on the type of films these theatres show;

arthouse films and alternative programming are generally less successful in such complexes than they are when hosted in dedicated, separate buildings.

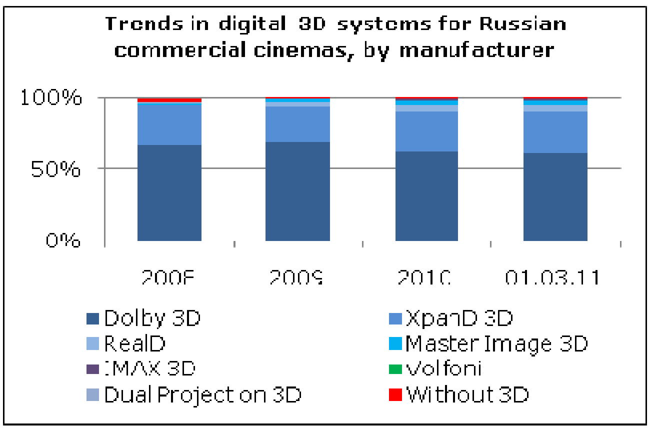


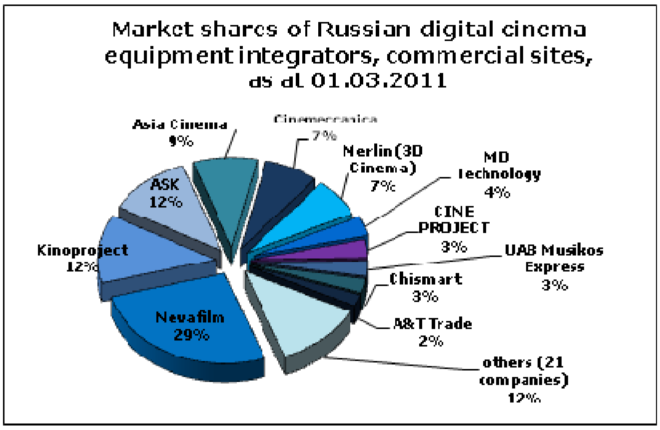
The most popular digital projection equipment in Russia are Christie projectors, Dolby servers, and Dolby 3D digital cinema systems. The leading manufacturers of digital projection equipment are seeing their market share shrink as the market develops. In 2010, the DoReMi companies dramatically improved their standing in Russia among server manufacturers from 28 to 37%. Among cinema projector manufacturers, Barco went from holding 17 to 25%, and Nec increased their share from 9 to 18%.





The situation regarding 3D cinema was more stable. The battle here is essentially between Dolby and XpanD, with the latter improving their market share by just 2%, to 27% of digital screens. Meanwhile, a new player emerged on the Russian market – Volfoni's 3D systems made their debut. As at 31 December 2010, they had equipped four theatres. Only four digital theatres in Russia (0.4% of the market) lack the equipment to project in 3D.





Nevafilm Cinemas leads in technology integration, having equipped 29% of theatres by the end of last year. As the number of vendors on the Russian market grows, the range of services they offer is growing as well. The country still lacks technology integration chains, which would offer digital projection systems to theatres, and act as middlemen in the VPF agreements between cinemas and studios (distributors). However, this situation might change following Russia’s entry to Eurimages on 01 March 2011. Now distributors and cinema exhibitors can assuage their outlay on the transition to digital technology with funds from the European fund for the support of cooperative cinema production, and the retail of cinema and audiovisual works. As a result of a tender conducted by the Council of Europe, the exclusive supplier for this program is now the Belgian company XDC International.

Nevafilm

Nevafilm was founded in 1992 and has a wide range of experience in the film industry. The group has modern sound and dubbing studios in Moscow and St. Petersburg (***Nevafilm Studios***); is a leader 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***).
