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Russia not yet in from the cold

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For all its explosive box office growth, Russia remains a problematic market where DVD revenues are minimal and an impending law reducing the amount of allowable TV advertising threatens to undercut film pre-sales by broadcast networks.

This sombre assessment was provided by a panel discussion on the Russian marketplace at Screen International's European Film Finance Conference.

On surface reading, Russia is still the world's fastest-growing film territory. In the last decade, the collective annual gross of all films released in the country has shot up from \$6m in 1997 to a projected \$580m this year, largely on the back of a multiplex building boom.

By 2009, an estimated \$840m worth of cinema tickets will be sold, making Russia the fifth largest theatrical market in global terms.

Scratch at those figures, however, and a different financial picture emerges for those to hoping to cash in on this apparent bonanza.

According to Armen Dishdashian, VP of international sales and co-production for Moscow-based Central Partnership, actual admissions growth is now dropping in a country that still watches more pirated DVDs than licensed ones.

The much-publicised success of certain Russian-made hits in recent years, including Timur Bekmambetov's *Day Watch* and Central Partnership's recently released *Wolfhound*, masks the fact that most Russian productions are unprofitable.

Local films account for 30% of the annual box office, but half of this business is hogged by just a couple of blockbusters each year. The rest of the box office is dominated by Hollywood blockbusters.

But is the post-theatrical for films that is the cause of most concern. In the absence of a fully functioning DVD market, TV pre-sales remains the key component of the Russian revenue stream for features.

"No one knows for sure the likely impact that the new legislation limiting the advertising TV time will have feature films," noted Sergei Yershov, whose LA-based licensing company Film Depot buys and produces films for Russia. He was referring to a draft law that aims to bring the country in line with the European Convention by cutting back on advertising breaks and limiting the interruption of movies by commercials.

The net effect of all this, as EEAP chief Alexander van Duelman noted, is that Russian distributors are no longer paying the overheated prices for independent film imports that were seen just a year ago at film-buying events such as this.

Production entities such as Film Depot and Central Partnership also face the issue of an under-developed banking system when it comes to film financing. Indeed, even international banks are wary of discounting Russian contracts. Yershov recalled being unable to find a financial institution that would take the paper of GazProm – even though the \$300bn gas giant is the world's third largest company in terms of market capitalization.