3 June 2016

Dear shareholder

I am writing to update shareholders with developments at Ludorum since my letter to you of 19 April 2016.

In that letter I made it clear that the company would soon be in need of new funds to enable it to continue trading and to start building the digital platform needed for Chuggington's planned relaunch in 2017.

The need for new funding has come about after a prolonged period of decline in licensing revenue - precipitated by a dramatic fall off in toy sales - which impacted revenue, cash flow and profitability. Throughout this period of decline the business neither developed adequate alternative revenue streams nor trimmed its expenses sufficiently to meet market conditions. As a result, Ludorum has not been able to meet its obligations to continue investing in the brand to secure and develop it further in its chosen marketplaces.

That the company has need of short term funding underlines to you all the seriousness of Ludorum's financial position. Absent new funds the directors would have no alternative but to place the business into administration whilst a sale was sought.

As of today, and before the new money has been made available, the business is weighed down by £3.662m of shareholder and bank loans (comprising loan notes of £2.75m, accrued loan note interest of £625k and bank overdraft of £287k). In addition, the company has balance sheet liabilities amounting to a possible £1.4m and the faces the likelihood of continued working capital outflows through the remainder of the year.

I should remind shareholders that the company remains in breach of the existing D C Thomson & Co and Downing LLP (Downing) loan note agreement in that it has not been in a position to pay interest on the loans since October 2014. D C Thomson & Co and Downing have agreed to accrue interest until such time as a longer term refinancing is undertaken but have no obligation so to do. Shareholders will also be aware that the existing D C Thomson & Co and Downing loan notes are due for repayment in March 2017: at the time of writing, the directors do not see that the company will be in a position to repay these from cash flows generated by the business.

I am however pleased to report that D C Thomson & Co and Downing, have agreed to make an additional £550k available via new 1 year loan notes. The terms of these new notes are harsh but reflect the reality of the company's financial position and are judged by the independent directors - Dick Rothkopf and me - to be the best currently available to the company.

Key terms of the new 2016 loan notes are as follows:

Ludorum Plc
company no 5595899
registered company address 10 The Old Power Station
121 Mortlake High Street, London, SW14 8SN
10 The Old Power Station, 121 Mortlake High Street, London, SW14 8SN
t. + 44 (0)20 8939 6280 **f.** + 44 (0)20 8939 6281
e. info@ludorum.com **www.**chuggington.com

- £550k will be made available to the company, in tranches of £110k, subject to the fulfillment of certain conditions precedent and subsequent
- The agreement of Coutts & Co to an extension of the company's overdraft facility which expires later this month
- The new loan notes will rank behind the bank overdraft but ahead of all other borrowings and will be secured on the assets of Ludorum PLC and Ludorum Enterprises
- Interest accruing at 20% pa
- Capital and interest repayable at the end of 12 months
- The lenders have the right to withhold further funding and demand repayment of funds drawn down in the event of any changes to the management team and board during the term of the facility

It is clear from the foregoing that the company will be in need of additional long term capital to enable it to invest in rebuilding Chuggington's appeal to the pre-school market: we are therefore entering into discussions with the loan note holders with a view to determining the longer term financing requirements of the business.

I would hope to be in a position to write to shareholders by the middle of July with proposals to convert some, or all, of the D C Thomson and Co and Downing debt into equity, linked to an equity fundraise designed to put the company on the firmer financial footing needed to take the business forward. I fully expect that shareholders will be invited to participate in any proposed refinancing.

On other fronts I am pleased to announce that we have now agreed commercial terms and signed a five year licence with Jazwares - the US toy company. Jazwares' new pre-school range of toys for Chuggington will be available at retail from 2017: early feedback from the trade to the new toy range has been encouraging.

In order to support the 2017 relaunch of Chuggington the company has continued production of 4.5 minutes 'shorts' (edited from existing content) and expects to have 52 episodes available for broadcast from the Autumn of this year. Initial reaction from international broadcasters has been very positive and we see the new shorts adding considerable breadth and depth to Chuggingtons available content.

Lastly, I should inform shareholders of two recent board changes at Ludorum.

Richard Hall has resigned from the board. Richard has represented D C Thomson & Co at Ludorum board for many years and we thank him for his support and contribution during this time: D C Thomson & Co continue to be supportive of the company as evidenced by their participation the new 2016 loan notes.

Rob Lawes ceased to be CEO of Ludorum in March 2016 and, as of end May, no longer sits on the board of the company.

Whilst this remains a difficult period for the company, market research, trade and broadcaster feed-back all confirms that Chuggington retains a strong appeal in the global pre-school market. Consequently, the board believes that the steps being taken now - coupled with the engagement of a new toy partner - will be seen as a turning point for the long term prospects of the business.

I expect to be writing to shareholders with further news during the summer.

Your sincerely

Peter Scott
Chairman

company no 5595899
registered company address 10 The Old Power Station
121 Mortlake High Street, London, SW14 8SN

Ludorum Plc
10 The Old Power Station, 121 Mortlake High Street, London, SW14 8SN
t. + 44 (0)20 8939 6280 f. + 44 (0)20 8939 6281
e. info@ludorum.com www.chuggington.com