



For Immediate Release

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**PLATO Learning, Inc. Reports
 Fiscal Year 2004 Results**

Fourth Quarter Revenue Increases 12% from 2003 on Pro-forma Basis

MINNEAPOLIS, MN – December 15, 2004 – PLATO Learning, Inc. (NASDAQ: TUTR), a leading provider of K-adult computer-based and e-learning solutions, today announced revenues for its fourth quarter ended October 31, 2004, totaling \$42.4 million. This represents a \$14.9 million or a 54% increase versus the \$27.5 million reported for the comparable period of fiscal 2003. Revenues for the year ended October 31, 2004, were \$141.8 million, a \$59.6 million or a 73% increase versus the \$82.2 million reported for the same period in 2003. The Company’s acquisition of Lightspan, Inc. in November 2003 significantly contributed to the revenue growth for the quarter and year ended October 31, 2004. On a pro-forma basis, including revenues from Lightspan before the acquisition date, revenues grew 12% for the fourth quarter and 10% for the year in 2004 over the comparable periods in 2003.

Reported Revenues (000's)	Quarter Ended October 31,		Growth	Year Ended October 31,		Growth
	2004	2003		2004	2003	
PLATO Learning	\$ 42,420	\$ 27,475	54%	\$ 141,801	\$ 82,192	73%
Lightspan (1)	-	10,500		969	47,871	
	<u>\$ 42,420</u>	<u>\$ 37,975</u>	12%	<u>\$ 142,770</u>	<u>\$ 130,063</u>	10%

(1) Lightspan revenues prior to acquisition.

Net earnings for the fourth quarter of 2004 were \$2.2 million, or \$0.09 per diluted share, as compared to \$3.3 million, or \$0.20 per diluted share, for the same period of 2003. The net loss for the year ended October 31, 2004, was \$1.8 million, or \$0.08 per diluted share, as compared to a net loss of \$1.7 million or \$0.10 per diluted share, for the same period in 2003.

The Company recorded consolidated income tax expense of \$1.6 million for the fourth quarter and \$2.0 million for the year 2004, compared to an expense of \$1.7 million and an income tax benefit of \$0.4 million in the same periods for 2003, respectively. The high consolidated tax rate for the 2004 periods is caused by losses in the Company’s U.K. subsidiary, which are not offset against U.S. profits for tax expense purposes and for which no tax benefit is recognized, due to the ongoing losses of the U.K. entity. Earnings before taxes were \$3.8 million for the fourth quarter 2004 and \$0.2 million for the fiscal year 2004, compared to earnings of \$5.0 million for fourth quarter 2003 and a loss of \$2.1 million for fiscal year 2003.

The acquisition of Lightspan also added significant expenses to the Company's operations, the impact of which has been partially offset by cost reductions from operating synergies of the merged businesses.

Reported Operating Expenses (000's)	Quarter Ended October 31,		Year Ended October 31,	
	2004	2003	2004	2003
Operating expenses:				
PLATO Learning (1)	22,975	14,599	91,336	55,474
Lightspan (2)	-	11,199	1,941	54,368
Total	22,975	25,798	93,277	109,842
As a percentage of pro-forma revenues	54.2%	67.9%	65.3%	84.5%

(1) PLATO operating expenses for the year in 2003 exclude \$802 of restructuring charges.

(2) Lightspan operating expenses prior to acquisition.

David Smith, Interim CEO, said, "Revenues and earnings for the quarter and year were in line with our revised expectations and showed solid growth over 2003 on a pro-forma basis. This growth was achieved while expending substantial effort to integrate Lightspan operations. Even more notable was the increase in cash and investments of \$14.5 million during the quarter to \$45.5 million at year-end, driven by strong earnings before the impact of non-cash expenses, improvements in accounts receivable metrics, and growth in deferred revenues."

Mr. Smith continued, "Since assuming the CEO role, much of my time has been spent assessing the business. I've been impressed by the Company's products and depth of intellectual assets, as well as the quality and enthusiasm of its employees. Much has been accomplished, but much more needs to be done to fully realize our growth and earnings potential. The foundation has been set. Now we need to clearly define the Company's focus, refine its processes, and align its resources to enhance profitability and accelerate growth. I firmly believe this can be done, and it will be our priority over the coming year."

The Company highlighted additional key financial information:

- Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) and restructuring charges were \$18.3 million for the year ended October 31, 2004, compared to \$9.0 million in 2003.
- Cash and marketable securities were \$45.5 million at October 31, 2004, compared to \$31.0 million at July 31, 2004, and \$27.7 million at October 31, 2003.
- Deferred revenue was \$51.6 million at October 31, 2004, versus \$45.4 million at October 31, 2003, including Lightspan deferred revenue on a pro-forma basis. Both balances reflect a fourth quarter 2004 purchase accounting adjustment of \$4.6 million to the Lightspan deferred revenue to align it with the fair value of undelivered educational consulting days at the acquisition date.
- Stockholders' equity was \$159.5 million at October 31, 2004, compared to \$109.9 million at October 31, 2003.

Use of Non-GAAP Financial Measures

The non-GAAP financial measures used in this press release exclude the impact a 2003 restructuring charge on PLATO Learning's operating results, as well as present EBITDA and certain combined operations as if Lightspan had been acquired as of November 1, 2002. These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. PLATO Learning's management views these non-GAAP financial measures to be helpful in assessing the Company's progress in integrating the operations of Lightspan. In addition, these non-GAAP financial measures facilitate management's internal comparisons to PLATO Learning's historical operating results and comparisons to competitors' operating results. PLATO Learning includes these non-GAAP financial measures in its earnings announcement, because the Company believes they are useful to investors in allowing for greater transparency related to supplemental information used by management in its financial and operational analysis. Investors are encouraged to review the

reconciliation of the non-GAAP financial measures used in this press release to their most directly comparable GAAP financial measures as provided with the financial statements attached to this press release.

Quarterly Conference Call

A conference call to discuss this announcement is scheduled for today at 3:45 p.m. (CT). The dial-in number for this call is 1-877-775-1746. Please call 10 minutes prior to the start of the call and inform the operator you are participating in PLATO Learning's call. Should you be unable to attend the live conference call, a recording will be available to you from 5:00 p.m. (CT) on December 15, 2004, through midnight on December 20, 2004. To access the recording call 1-800-642-1687. At the prompt, enter pass code number 1632269.

About PLATO Learning

PLATO Learning, Inc. is a leading provider of computer-based and e-learning instruction for kindergarten through adult learners, offering curricula in reading, writing, math, science, social studies, and life and job skills. The Company also offers innovative online assessment and accountability solutions and standards-based professional development services. With over 6,000 hours of objective-based, problem-solving courseware, plus assessment, alignment and curriculum management tools, we create standards-based curricula that facilitate learning and school improvement.

With trailing 12-month revenues of approximately \$142 million, PLATO Learning, Inc. is a publicly held company traded as TUTOR on the NASDAQ. PLATO[®] Learning educational software delivered via networks, CD-ROM, the internet, and private intranets, is primarily marketed to K-12 schools and colleges. The Company also sells to job training programs, correctional institutions, military education programs, corporations, and individuals.

PLATO Learning is headquartered at 10801 Nesbitt Avenue South, Bloomington, Minnesota 55437, 952.832.1000 or 800.869.2000. The Company has offices throughout the United States, Canada, and the United Kingdom, as well as international distributors in Puerto Rico, Singapore, South Africa, and the United Arab Emirates. For more information, please visit <http://www.plato.com>.

This announcement includes forward-looking statements. PLATO Learning has based these forward-looking statements on its current expectations and projections about future events. Although PLATO Learning believes that its assumptions made in connection with the forward-looking statements are reasonable, no assurances can be given that its assumptions and expectations will prove to have been correct. These forward-looking statements are subject to various risks, uncertainties and assumptions. PLATO Learning undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward looking statements made are subject to the risks and uncertainties as those described in the Company's Annual Report on Form 10-K for the year ended October 31, 2003. Actual results may differ materially from anticipated results.

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PLATO Learning, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited, in thousands, except per share amounts)

	Three Months Ended		Year Ended	
	October 31,		October 31,	
	2004	2003	2004	2003
Revenues:				
License fees	\$ 24,385	\$ 18,942	\$ 80,078	\$ 52,439
Subscriptions	5,073	1,954	20,718	7,151
Services	9,093	5,141	30,030	16,738
Other	3,869	1,438	10,975	5,864
Total revenues	<u>42,420</u>	<u>27,475</u>	<u>141,801</u>	<u>82,192</u>
Cost of revenues:				
License fees	5,107	2,419	15,060	8,217
Subscriptions	1,984	1,008	7,506	3,567
Services	4,846	2,905	17,373	10,929
Other	3,916	1,517	10,614	5,468
Total cost of revenues	<u>15,853</u>	<u>7,849</u>	<u>50,553</u>	<u>28,181</u>
Gross profit	<u>26,567</u>	<u>19,626</u>	<u>91,248</u>	<u>54,011</u>
Operating expenses:				
Sales and marketing	15,711	10,175	61,586	39,438
General and administrative	5,022	3,671	19,469	13,182
Product development	1,131	607	5,973	2,267
Amortization of intangibles	1,111	146	4,308	587
Restructuring charges	-	-	-	802
Total operating expenses	<u>22,975</u>	<u>14,599</u>	<u>91,336</u>	<u>56,276</u>
Operating income (loss)	3,592	5,027	(88)	(2,265)
Interest income	134	22	432	317
Interest expense	(22)	(16)	(122)	(104)
Other income (expense), net	89	(13)	(20)	(56)
Earnings (loss) before income taxes	3,793	5,020	202	(2,108)
Income tax expense (benefit)	1,580	1,744	2,030	(441)
Net earnings (loss)	<u>\$ 2,213</u>	<u>\$ 3,276</u>	<u>\$ (1,828)</u>	<u>\$ (1,667)</u>
Earnings (loss) per share:				
Basic	<u>\$ 0.10</u>	<u>\$ 0.20</u>	<u>\$ (0.08)</u>	<u>\$ (0.10)</u>
Diluted	<u>\$ 0.09</u>	<u>\$ 0.20</u>	<u>\$ (0.08)</u>	<u>\$ (0.10)</u>
Weighted average common shares outstanding:				
Basic	<u>23,050</u>	<u>16,366</u>	<u>22,637</u>	<u>16,510</u>
Diluted	<u>23,468</u>	<u>16,618</u>	<u>22,637</u>	<u>16,510</u>

PLATO Learning, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except per share amounts)

	October 31, 2004	October 31, 2003
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,235	\$ 23,834
Marketable securities	12,615	-
Accounts receivable, net	41,852	39,176
Prepaid expenses and other current assets	9,460	4,819
Deferred income taxes	-	2,218
Total current assets	93,162	70,047
Long-term marketable securities	3,608	3,862
Equipment and leasehold improvements, net	7,946	5,024
Product development costs, net	17,116	14,738
Goodwill	71,267	39,609
Identified intangible assets, net	39,432	14,707
Other assets	174	1,975
Total assets	\$ 232,705	\$ 149,962
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,196	\$ 2,876
Accrued employee salaries and benefits	8,772	6,678
Accrued liabilities	6,383	3,600
Deferred revenue	43,042	22,192
Total current liabilities	63,393	35,346
Deferred revenue	8,533	4,372
Deferred income taxes	1,322	-
Other liabilities	7	312
Total liabilities	73,255	40,030
Stockholders' equity:		
Common stock, \$.01 par value, 50,000 shares authorized; 23,095 shares issued and 23,075 outstanding at October 31, 2004; 17,671 shares issued and 16,370 shares outstanding at October 31, 2003	231	164
Additional paid in capital	162,956	123,135
Treasury stock at cost, 20 and 1,301 shares, respectively	(205)	(11,652)
Accumulated deficit	(2,850)	(1,022)
Accumulated other comprehensive loss	(682)	(693)
Total stockholders' equity	159,450	109,932
Total liabilities and stockholders' equity	\$ 232,705	\$ 149,962

PLATO Learning, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Year Ended	
	October 31,	
	2004	2003
Operating activities:		
Net loss	\$ (1,828)	\$ (1,667)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deferred income taxes	2,030	(441)
Amortization of capitalized product development costs	6,941	5,720
Amortization of identified intangible assets	7,648	2,239
Depreciation and amortization of equipment and leasehold improvements	3,358	2,227
Provision for doubtful accounts	2,305	2,476
Stock-based compensation	217	-
Loss on disposal of equipment	53	61
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	4,786	(8,442)
Prepaid expenses and other current and noncurrent assets	(2,008)	(956)
Accounts payable	(164)	1,988
Accrued liabilities, accrued employee salaries and benefits and other liabilities	(4,183)	(1,492)
Deferred revenue	7,838	6,850
Total adjustments	<u>28,821</u>	<u>10,230</u>
Net cash provided by operating activities	<u>26,993</u>	<u>8,563</u>
Investing activities:		
Acquisitions, net of cash acquired	2,460	-
Capitalization of product development costs	(9,238)	(6,863)
Capital expenditures	(3,615)	(2,088)
Purchases of marketable securities	(13,176)	(5,061)
Sales and maturities of marketable securities	741	1,219
Net cash used in investing activities	<u>(22,828)</u>	<u>(12,793)</u>
Financing activities:		
Repurchase of common stock	(205)	(2,161)
Net proceeds from issuance of common stock	1,941	82
Repayments of capital lease obligations	(239)	(258)
Net cash provided by (used in) financing activities	<u>1,497</u>	<u>(2,337)</u>
Effect of foreign currency on cash	(261)	11
Net increase (decrease) in cash and cash equivalents	<u>5,401</u>	<u>(6,556)</u>
Cash and cash equivalents at beginning of period	23,834	30,390
Cash and cash equivalents at end of period	<u>\$ 29,235</u>	<u>\$ 23,834</u>

PLATO Learning, Inc.
Supplemental Financial Information
(Unaudited)

Revenues (\$000's)	Quarter Ended October 31,						% Change	
	2004			2003			As Reported	Pro Forma
	As Reported	Lightspan (1)	Pro Forma	As Reported	Lightspan (1)	Pro Forma		
License fees	\$ 24,385	\$ -	\$ 24,385	\$ 18,942	\$ 4,475	\$ 23,417	29%	4%
Subscriptions	5,073	-	5,073	1,954	2,812	4,766	160%	6%
Services	9,093	-	9,093	5,141	2,499	7,640	77%	19%
Other	3,869	-	3,869	1,438	714	2,152	169%	80%
	<u>\$ 42,420</u>	<u>\$ -</u>	<u>\$ 42,420</u>	<u>\$ 27,475</u>	<u>\$ 10,500</u>	<u>\$ 37,975</u>	54%	12%

(1) Lightspan revenues prior to acquisition.

Operating Expenses (\$000's)	Quarter Ended October 31, 2004		Quarter Ended October 31, 2003				
	As Reported	% of Revenue	As Reported	Lightspan (1)	Pro Forma	% of Revenue	
						Reported	Pro Forma
Sales and marketing	\$ 15,711	37%	\$ 10,175	\$ 7,714	\$ 17,889	37%	47%
General and administrative	5,022	12%	3,671	586	4,257	13%	11%
Product development	1,131	3%	607	2,088	2,695	2%	7%
Amortization of intangibles	1,111	3%	146	811	957	1%	3%
	<u>\$ 22,975</u>	54%	<u>\$ 14,599</u>	<u>\$ 11,199</u>	<u>\$ 25,798</u>	53%	68%

	Quarter Ended July 31, 2004		Quarter Ended April 30, 2004		Quarter Ended January 31, 2004			
	As Reported	% of Revenue	As Reported	% of Revenue	As Reported	Pro Forma (2)	% of Revenue	
							Reported	Pro Forma
Sales and marketing	\$ 14,897	37%	\$ 15,793	49%	\$ 15,185	\$ 16,467	57%	60%
General and administrative	4,915	12%	5,040	16%	4,492	4,802	17%	18%
Product development	1,293	3%	1,346	4%	2,203	2,530	8%	9%
Amortization of intangibles	1,112	3%	1,102	3%	983	1,005	4%	4%
	<u>\$ 22,217</u>	55%	<u>\$ 23,281</u>	72%	<u>\$ 22,863</u>	<u>\$ 24,804</u>	86%	90%

(1) Lightspan operating expenses prior to acquisition.

(2) Difference between As Reported and Pro Forma represents \$1.9 million of Lightspan operating expenses prior to acquisition.

Order Size (\$000's)	Quarter Ended October 31,				% Change	
	2004		2003 (1)		Number	Value
	Number	Value	Number	Value		
\$100 to \$249	28	\$ 4,335	39	\$ 5,681	-28%	-24%
\$250 or greater	20	15,470	16	9,770	25%	58%
	<u>48</u>	<u>\$ 19,805</u>	<u>55</u>	<u>\$ 15,451</u>	-13%	28%

(1) 2003 includes both PLATO Learning and Lightspan.

PLATO Learning, Inc.
Supplemental Financial Information
(Unaudited)

Revenues (\$000's)	Year Ended October 31,						% Change	
	2004			2003				
	As Reported	Lightspan (1)	Pro Forma	As Reported	Lightspan (1)	Pro Forma	As Reported	Pro Forma
License fees	\$ 80,078	\$ -	\$ 80,078	\$ 52,439	\$ 23,355	\$ 75,794	53%	6%
Subscriptions	20,718	531	21,249	7,151	11,611	18,762	190%	13%
Services	30,030	438	30,468	16,738	9,524	26,262	79%	16%
Other	10,975	-	10,975	5,864	3,381	9,245	87%	19%
	<u>\$141,801</u>	<u>\$ 969</u>	<u>\$142,770</u>	<u>\$ 82,192</u>	<u>\$ 47,871</u>	<u>\$130,063</u>	73%	10%

(1) Lightspan revenues prior to acquisition.

Operating Expenses (\$000's)	Year Ended October 31, 2004			% of Revenue	
	As	Lightspan	Pro	As	Pro
	Reported	(2)	Forma	Reported	Forma
Sales and marketing	\$ 61,586	\$ 1,282	\$ 62,868	43%	44%
General and administrative	19,469	310	19,779	14%	14%
Product development	5,973	327	6,300	4%	4%
Amortization of intangibles	4,308	22	4,330	3%	3%
	<u>\$ 91,336</u>	<u>\$ 1,941</u>	<u>\$ 93,277</u>	64%	65%

	Year Ended October 31, 2003			% of Revenue	
	As	Lightspan	Pro	As	Pro
	Reported (1)	(2)	Forma	Reported	Forma
Sales and marketing	\$ 39,438	\$ 31,649	\$ 71,087	48%	55%
General and administrative	13,182	6,434	19,616	16%	15%
Product development	2,267	9,641	11,908	3%	9%
Amortization of intangibles	587	6,644	7,231	1%	6%
	<u>\$ 55,474</u>	<u>\$ 54,368</u>	<u>\$109,842</u>	67%	84%

(1) Excludes \$802 of restructuring charges.

(2) Lightspan operating expenses prior to acquisition.

Order Size (\$000's)	Year Ended October 31,				% Change	
	2004 (1)		2003 (2)			
	Number	Value	Number	Value	Number	Value
\$100 to \$249	150	\$ 22,304	140	\$ 21,359	7%	4%
\$250 or greater	63	45,013	64	33,279	-2%	35%
	<u>213</u>	<u>\$ 67,317</u>	<u>204</u>	<u>\$ 54,638</u>	4%	23%

(1) 2004 includes \$4,275 related to the second quarter Idaho Department of Education contract.

(2) 2003 includes both PLATO Learning and Lightspan.

PLATO Learning, Inc.
Supplemental Financial Information
(Unaudited)

EBITDA (excluding restructuring charges)

(\$000's)	As Reported	Twelve Months Ended October 31, 2004				
		Q1-2004	Q2-2004	Q3-2004	Q4-2004	Total
Net earnings (loss)		\$ (7,535)	\$ (3,230)	\$ 6,724	\$ 2,213	\$ (1,828)
Income taxes		150	150	150	1,580	2,030
Interest expense		35	37	28	22	122
Depreciation and amortization		4,455	4,623	4,388	4,481	17,947
Restructuring charge		-	-	-	-	-
		<u>\$ (2,895)</u>	<u>\$ 1,580</u>	<u>\$ 11,290</u>	<u>\$ 8,296</u>	<u>\$ 18,271</u>

(\$000's)	As Reported	Twelve Months Ended October 31, 2003				
		Q1-2003	Q2-2003	Q3-2003	Q4-2003	Total
Net earnings (loss)		\$ (3,407)	\$ (1,821)	\$ 285	\$ 3,276	\$ (1,667)
Income taxes		(2,350)	(1,435)	1,600	1,744	(441)
Interest expense		24	30	34	16	104
Depreciation and amortization		2,319	2,231	2,782	2,854	10,186
Restructuring charge		380	-	422	-	802
		<u>\$ (3,034)</u>	<u>\$ (995)</u>	<u>\$ 5,123</u>	<u>\$ 7,890</u>	<u>\$ 8,984</u>