



For Immediate Release

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

**Solid Revenue Growth
Lightspan Integration on Track
Providing Increased Operating Leverage**

MINNEAPOLIS, MN – May 27, 2004 – PLATO Learning, Inc. (NASDAQ: TUTR), a leading provider of K-Adult computer-based and e-learning solutions, today announced revenues for its second quarter ended April 30, 2004, totaling \$32.3 million, a \$14.8 million or an 85% increase versus the \$17.5 million reported for the comparable period of fiscal 2003. The Company's acquisition of Lightspan, Inc. in November 2003 significantly contributed to the revenue growth for the quarter and year-to-date ended April 30, 2004.

Reported Revenues (000's)	Quarter Ended April 30,		Growth	Six Months Ended April 30,		Growth
	2004	2003		2004	2003	
PLATO Learning	\$ 32,320	\$ 17,467	85%	\$ 58,768	\$ 30,924	90%
Lightspan (1)	-	10,489		969	22,892	
	<u>\$ 32,320</u>	<u>\$ 27,956</u>	16%	<u>\$ 59,737</u>	<u>\$ 53,816</u>	11%

(1) Lightspan revenues prior to acquisition.

The net loss for the second quarter of 2004 was \$3.2 million, or \$0.14 per diluted share, as compared to a loss of \$1.8 million, or \$0.11 per diluted share, for the same period of 2003. The second quarter results for the period ended April 30, 2003 included a tax benefit of \$1.4 million, or \$0.09 per diluted share. No tax benefit was recorded for the quarter ended April 30, 2004, consistent with the full valuation allowance we provided against our deferred tax assets in connection with the acquisition of Lightspan.

Adjusted Net Loss (000's, except per share amounts)	Quarter Ended April 30,		Six Months Ended April 30,	
	2004	2003	2004	2003
Net loss (GAAP)	\$ (3,230)	\$ (1,821)	\$ (10,765)	\$ (5,228)
Exclude:				
Income tax expense (benefit)	150	(1,435)	300	(3,785)
Net loss (Non-GAAP)	<u>\$ (3,080)</u>	<u>\$ (3,256)</u>	<u>\$ (10,465)</u>	<u>\$ (9,013)</u>
Weighted average common shares outstanding	<u>22,989</u>	<u>16,534</u>	<u>22,236</u>	<u>16,657</u>
Loss per basic and diluted share (Non-GAAP)	<u>\$ (0.13)</u>	<u>\$ (0.20)</u>	<u>\$ (0.47)</u>	<u>\$ (0.54)</u>

The acquisition of Lightspan also added significant expenses to the Company's operations.

Reported Operating Expenses (000's)	Quarter Ended April 30,		Six Months Ended April 30,	
	2004	2003	2004	2003
Operating expenses:				
PLATO Learning (1)	23,281	13,755	46,144	26,977
Lightspan (2)	-	14,980	1,941	29,228
Total	<u>23,281</u>	<u>28,735</u>	<u>48,085</u>	<u>56,205</u>
As a percentage of revenues	<u>72.0%</u>	<u>102.8%</u>	<u>80.5%</u>	<u>104.4%</u>

(1) PLATO operating expenses for the six months in 2003 exclude \$380 of restructuring charges.

(2) Lightspan operating expenses prior to acquisition.

John Murray, Chairman, President and CEO, said, "We are delighted with our strong second quarter financial performance and the progress we are making with the integration of Lightspan. Achieving double-digit growth in a tough market demonstrates the power of the combined entity and the breadth and depth of the solutions we offer our customers. While we see the funding environment for education to be slowly and consistently improving, our ability to gain market share has again allowed us to grow revenues faster than overall market growth."

Mr. Murray continued, "We also demonstrated improved operating leverage as evidenced by the significant operating margin improvement over the first quarter of fiscal 2004 and the comparable combined operating margin of the second quarter of fiscal 2003. Our plan to extract costs from the combined PLATO Learning and Lightspan entities has been closely followed. We remain on track to meet our fiscal 2004 operational and financial goals."

Mr. Murray highlighted additional key financial information:

- Earnings Before Interest Taxes Depreciation and Amortization (EBITDA), calculated as operating income (loss) before depreciation, amortization and restructuring charges, was \$11.7 million for the twelve month period ended April 30, 2004 as compared to \$1.3 million for the twelve month period ended April 30, 2003.
- Cash and marketable securities were \$21.7 million at April 30, 2004, compared to \$27.7 million at October 31, 2003 and \$24.2 million at April 30, 2003. There were no bank borrowings outstanding at April 30, 2004.
- Deferred revenue was \$38.3 million at April 30, 2004, versus \$19.5 million at April 30, 2003. Lightspan had deferred revenue of \$11.2 million at April 30, 2003.
- Stockholders' equity was \$150.1 million at April 30, 2004, compared to \$109.9 million at October 31, 2003 and \$106.3 million at April 30, 2003.

Use of Non-GAAP Financial Measures

The non-GAAP financial measures used in this press release exclude the impact of an income tax benefit in 2003, and 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 PM (CST). The dial-in number for this call is 1-877-775-1746. Please call ten 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 6:00 p.m. on May 27, 2004, through midnight June 3, 2004. To access the recording call: 1-800-642-1687. At the prompt, enter pass code number 6846438.

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 \$110 million, PLATO Learning, Inc. is a publicly held company traded as TUTR on the NASDAQ-NMS. PLATO[®] Learning educational software is marketed to K-12 schools and colleges. We also sell to job training programs, correctional institutions, military education programs, corporations and individuals and delivered via networks, CD-ROM, the Internet and private intranets.

PLATO Learning is headquartered at 10801 Nesbitt Avenue South, Bloomington, Minnesota 55437, (952) 832-1000 or (800) 869-2000. The Company has domestic offices throughout the United States and international offices in the United Kingdom and Canada. International distributors are located in Puerto Rico, Singapore, South Africa and the United Arab Emirates. The Company's Web address is <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.

® PLATO is a registered trademark of PLATO Learning, Inc. PLATO Learning is a trademark of PLATO Learning, Inc.

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

	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	2004	2003	2004	2003
Revenues:				
License fees	\$ 17,213	\$ 9,752	\$ 30,272	\$ 17,197
Subscriptions	5,325	1,767	9,833	3,391
Services	7,197	4,296	13,534	7,679
Other	2,585	1,652	5,129	2,657
Total revenues	<u>32,320</u>	<u>17,467</u>	<u>58,768</u>	<u>30,924</u>
Cost of revenues:				
License fees	3,234	1,917	6,575	3,674
Subscriptions	2,061	786	3,740	1,355
Services	4,570	3,008	8,334	5,378
Other	2,342	1,311	4,541	2,302
Total cost of revenues	<u>12,207</u>	<u>7,022</u>	<u>23,190</u>	<u>12,709</u>
Gross profit	<u>20,113</u>	<u>10,445</u>	<u>35,578</u>	<u>18,215</u>
Operating expenses:				
Sales and marketing	15,793	9,946	30,978	19,184
General and administrative	5,040	3,035	9,532	6,311
Product development	1,346	627	3,549	1,188
Amortization of intangibles	1,102	147	2,085	294
Restructuring charges	-	-	-	380
Total operating expenses	<u>23,281</u>	<u>13,755</u>	<u>46,144</u>	<u>27,357</u>
Operating loss	<u>(3,168)</u>	<u>(3,310)</u>	<u>(10,566)</u>	<u>(9,142)</u>
Interest income	138	92	257	212
Interest expense	(37)	(30)	(72)	(54)
Other expense, net	(13)	(8)	(84)	(29)
Loss before income taxes	<u>(3,080)</u>	<u>(3,256)</u>	<u>(10,465)</u>	<u>(9,013)</u>
Income tax expense (benefit)	150	(1,435)	300	(3,785)
Net loss	<u>\$ (3,230)</u>	<u>\$ (1,821)</u>	<u>\$ (10,765)</u>	<u>\$ (5,228)</u>
Loss per share:				
Basic and diluted	<u>\$ (0.14)</u>	<u>\$ (0.11)</u>	<u>\$ (0.48)</u>	<u>\$ (0.31)</u>
Weighted average common shares outstanding:				
Basic and diluted	<u>22,989</u>	<u>16,534</u>	<u>22,236</u>	<u>16,657</u>

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

	April 30, 2004	October 31, 2003
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,942	\$ 23,834
Accounts receivable, net	41,183	39,176
Prepaid expenses and other current assets	8,795	4,819
Deferred income taxes	-	2,218
Total current assets	67,920	70,047
Long-term marketable securities	3,779	3,862
Equipment and leasehold improvements, net	6,964	5,024
Product development costs, net	15,579	14,738
Goodwill	69,570	39,609
Identified intangible assets, net	43,266	14,707
Other assets	1,820	1,975
Total assets	\$ 208,898	\$ 149,962
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,876	\$ 2,876
Accrued employee salaries and benefits	6,110	6,678
Accrued liabilities	9,313	3,600
Deferred revenue	32,292	22,192
Total current liabilities	51,591	35,346
Deferred revenue	6,029	4,372
Deferred income taxes	1,013	-
Other liabilities	209	312
Total liabilities	58,842	40,030
Stockholders' equity:		
Common stock, \$.01 par value, 50,000 shares authorized; 23,016 shares issued and 22,996 outstanding at April 30, 2004; 17,671 shares issued and 16,370 shares outstanding at October 31, 2003	230	164
Additional paid in capital	162,507	123,135
Treasury stock at cost, 20 and 1,301 shares, respectively	(205)	(11,652)
Accumulated deficit	(11,787)	(1,022)
Accumulated other comprehensive loss	(689)	(693)
Total stockholders' equity	150,056	109,932
Total liabilities and stockholders' equity	\$ 208,898	\$ 149,962

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

	Six Months Ended	
	April 30,	
	2004	2003
Operating activities:		
Net loss	\$ (10,765)	\$ (5,228)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Deferred income taxes	300	(3,785)
Amortization of capitalized product development costs	3,478	2,624
Amortization of identified intangible assets	3,763	970
Depreciation and amortization of equipment and leasehold improvements	1,837	1,106
Provision for doubtful accounts	827	1,052
Stock-based compensation	217	-
Loss on disposal of equipment	1	59
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	5,775	4,579
Prepaid expenses and other current and noncurrent assets	(755)	280
Accounts payable	(1,854)	1,003
Accrued liabilities, accrued employee salaries and benefits and other liabilities	(6,210)	(2,403)
Deferred revenue	(834)	(195)
Total adjustments	<u>6,545</u>	<u>5,290</u>
Net cash provided by (used in) operating activities	<u>(4,220)</u>	<u>62</u>
Investing activities:		
Acquisitions, net of cash acquired	2,460	-
Capitalization of product development costs	(4,291)	(3,168)
Capital expenditures	(1,112)	(828)
Purchases of marketable securities	(287)	-
Sales of marketable securities	370	-
Net cash used in investing activities	<u>(2,860)</u>	<u>(3,996)</u>
Financing activities:		
Repurchase of common stock	(205)	(2,161)
Net proceeds from issuance of common stock	1,491	35
Repayments of capital lease obligations	(70)	(147)
Net cash provided by (used in) financing activities	<u>1,216</u>	<u>(2,273)</u>
Effect of foreign currency on cash	(28)	19
Net decrease in cash and cash equivalents	<u>(5,892)</u>	<u>(6,188)</u>
Cash and cash equivalents at beginning of period	23,834	30,390
Cash and cash equivalents at end of period	<u>\$ 17,942</u>	<u>\$ 24,202</u>

PLATO Learning, Inc.
Supplemental Financial Information
(Unaudited)

Revenues (\$000's)	Quarter Ended April 30,						% Change	
	2004			2003			As Reported	Pro Forma
	As Reported	Lightspan (1)	Pro Forma	As Reported	Lightspan (1)	Pro Forma		
License fees	\$ 17,213	\$ -	\$ 17,213	\$ 9,752	\$ 4,722	\$ 14,474	77%	19%
Subscriptions	5,325	-	5,325	1,767	2,865	4,632	201%	15%
Services	7,197	-	7,197	4,296	2,189	6,485	68%	11%
Other	2,585	-	2,585	1,652	713	2,365	56%	9%
	<u>\$ 32,320</u>	<u>\$ -</u>	<u>\$ 32,320</u>	<u>\$ 17,467</u>	<u>\$ 10,489</u>	<u>\$ 27,956</u>	85%	16%

(1) Lightspan revenues prior to acquisition.

Operating Expenses (\$000's)	Quarter Ended April 30, 2004		Quarter Ended January 31, 2004			% of Revenue	
	As Reported	% of Revenue	As Reported	Lightspan (1)	Pro Forma	As Reported	Pro Forma
	Sales and marketing	\$ 15,793	49%	\$ 15,185	\$ 1,282	\$ 16,467	57%
General and administrative	5,040	16%	4,492	310	4,802	17%	18%
Product development	1,346	4%	2,203	327	2,530	8%	9%
Amortization of intangibles	1,102	3%	983	22	1,005	4%	4%
	<u>\$ 23,281</u>	<u>72%</u>	<u>\$ 22,863</u>	<u>\$ 1,941</u>	<u>\$ 24,804</u>	<u>86%</u>	<u>90%</u>

(1) Lightspan operating expenses prior to acquisition.

Operating Expenses (\$000's)	Quarter Ended April 30, 2003			% of Revenue	
	As Reported (1)	Lightspan (2)	Pro Forma	As Reported	Pro Forma
	Sales and marketing	\$ 9,946	\$ 8,459	\$ 18,405	57%
General and administrative	3,035	2,138	5,173	17%	19%
Product development	627	2,382	3,009	4%	11%
Amortization of intangibles	147	2,001	2,148	1%	8%
	<u>\$ 13,755</u>	<u>\$ 14,980</u>	<u>\$ 28,735</u>	<u>79%</u>	<u>103%</u>

(1) Excludes \$380 of restructuring charges

(2) Lightspan operating expenses prior to acquisition.

Order Size (\$000's)	Quarter Ended April 30,				% Change	
	2004 (1)		2003 (2)		Number	Value
	Number	Value	Number	Value		
\$100 to \$249	40	\$ 5,961	25	\$ 3,756	60%	59%
\$250 or greater	11	6,919	14	6,145	-21%	13%
	<u>51</u>	<u>\$ 12,880</u>	<u>39</u>	<u>\$ 9,901</u>	<u>31%</u>	<u>30%</u>

(1) 2004 excludes amounts related to the Idaho Department of Education contract

(2) 2003 includes both PLATO Learning and Lightspan

PLATO Learning, Inc.
Supplemental Financial Information
(Unaudited)

Revenues ((\$000's))	Six Months Ended April 30,						% Change	
	2004			2003				
	As Reported	Lightspan (1)	Pro Forma	As Reported	Lightspan (1)	Pro Forma	As Reported	Pro Forma
License fees	\$ 30,272	\$ -	\$ 30,272	\$ 17,197	\$ 10,904	\$ 28,101	76%	8%
Subscriptions	9,833	531	10,364	3,391	5,842	9,233	190%	12%
Services	13,534	438	13,972	7,679	4,614	12,293	76%	14%
Other	5,129	-	5,129	2,657	1,532	4,189	93%	22%
	<u>\$ 58,768</u>	<u>\$ 969</u>	<u>\$ 59,737</u>	<u>\$ 30,924</u>	<u>\$ 22,892</u>	<u>\$ 53,816</u>	90%	11%

(1) Lightspan revenues prior to acquisition.

Operating Expenses ((\$000's))	Six Months Ended April 30,			% of Revenue	
	2004				
	As Reported	Lightspan (1)	Pro Forma	As Reported	Pro Forma
Sales and marketing	\$ 30,978	\$ 1,282	\$ 32,260	53%	54%
General and administrative	9,532	310	9,842	16%	16%
Product development	3,549	327	3,876	6%	6%
Amortization of intangibles	2,085	22	2,107	4%	4%
	<u>\$ 46,144</u>	<u>\$ 1,941</u>	<u>\$ 48,085</u>	79%	80%

	Six Months Ended April 30,			% of Revenue	
	2003				
	As Reported (1)	Lightspan (2)	Pro Forma	As Reported	Pro Forma
Sales and marketing	\$ 19,184	\$ 15,321	\$ 34,505	62%	64%
General and administrative	6,311	4,505	10,816	20%	20%
Product development	1,188	5,400	6,588	4%	12%
Amortization of intangibles	294	4,002	4,296	1%	8%
	<u>\$ 26,977</u>	<u>\$ 29,228</u>	<u>\$ 56,205</u>	87%	104%

(1) Excludes \$380 of restructuring charges

(2) Lightspan operating expenses prior to acquisition.

Order Size ((\$000's))	Six Months Ended April 30,				% Change	
	2004 (1)		2003 (2)			
	Number	Value	Number	Value	Number	Value
\$100 to \$249	70	\$ 10,270	45	\$ 6,906	56%	49%
\$250 or greater	25	16,037	23	10,820	9%	48%
	<u>95</u>	<u>\$ 26,307</u>	<u>68</u>	<u>\$ 17,726</u>	40%	48%

(1) 2004 excludes amounts related to the Idaho Department of Education contract

(2) 2003 includes both PLATO Learning and Lightspan

PLATO Learning, Inc.
Supplemental Financial Information
(Unaudited)

Deferred Revenue (\$000's)	April 30,		October 31,
	2004	2003	2003
License fees	\$ 7,192	\$ 4,811	\$ 4,762
Subscriptions	8,774	1,630	4,134
Services	22,160	12,875	17,360
Other	195	203	308
	<u>38,321</u>	<u>19,519</u>	<u>26,564</u>
Lightspan	-	11,207	14,262
Total	<u><u>\$ 38,321</u></u>	<u><u>\$ 30,726</u></u>	<u><u>\$ 40,826</u></u>

EBITDA (\$000's)	As Reported	Twelve Months Ended				
		April 30, 2004				
		Q3-2003	Q4-2003	Q1-2004	Q2-2004	Total
Net earnings (loss)		\$ 285	\$ 3,276	\$ (7,535)	\$ (3,230)	\$ (7,204)
Income taxes		1,600	1,744	150	150	3,644
Interest expense		34	16	35	37	122
Depreciation and amortization		2,782	2,854	4,455	4,623	14,714
Restructuring charge		422	-	-	-	422
		<u>\$ 5,123</u>	<u>\$ 7,890</u>	<u>\$ (2,895)</u>	<u>\$ 1,580</u>	<u>\$ 11,698</u>

EBITDA (\$000's)	As Reported	Twelve Months Ended				
		April 30, 2003				
		Q3-2002	Q4-2002	Q1-2003	Q2-2003	Total
Net earnings (loss)		\$ (200)	\$ 119	\$ (3,407)	\$ (1,821)	\$ (5,309)
Income taxes		(350)	1,575	(2,350)	(1,435)	(2,560)
Interest expense		34	24	24	30	112
Depreciation and amortization		2,017	2,076	2,319	2,231	8,643
Restructuring charge		-	-	380	-	380
		<u>\$ 1,501</u>	<u>\$ 3,794</u>	<u>\$ (3,034)</u>	<u>\$ (995)</u>	<u>\$ 1,266</u>