



Student Transportation Of America Reports Fiscal 2005 Year End Results

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Highlights:

- Revenue for the year rose 22% to US \$109.7 million and increased by the same percentage for the fourth quarter
- EBITDA* increased 31% to US \$21.4 million for the year and improved by 50% for the fourth quarter
- Year-over-year EBITDA* margin improved to 19.5 per cent from 18.3 per cent
- Generated distributable cash* of US \$9.1 million in the 192 days since inception and paid distributions of CDN \$7.3 million
- Subsequent to year-end, STA completed two accretive acquisitions including its first Canadian acquisition

Toronto, ON, September 27, 2005 - Student Transportation of America Ltd. (TSX: STB.UN) (STA) today reported the financial results for its fourth quarter and its combined fiscal year ended June 30, 2005. STA also reported its financial results for the 192-day period as a public company from December 21, 2004 to June 30, 2005. All financial results are reported in U.S. dollars, except as otherwise noted.

The Company generated distributable cash* of CDN \$4.6 million (US \$3.8 million) in the fourth quarter and paid distributions of CDN \$3.4 million. In the 192-day period since inception, STA generated distributable cash of CDN \$11.2 million (US \$9.1 million) and paid distributions of CDN \$7.3 million. The excess cash will primarily be used in subsequent periods for normal maintenance capital expenditures.

"Fiscal 2005 was a tremendous year for STA as we successfully concluded our initial public offering (IPO) after seven years as a private company. We had year-over-year improvement in revenues, EBITDA and margins. We completed several accretive acquisitions and expanded our revenue base and cash available for distribution," said Denis J. Gallagher, Chairman and Chief Executive Officer. "Over the past years, our management team of experienced school bus industry executives has delivered stable and predictable performance, growing revenue at a compound annual growth rate of 23 per cent over the last five years and EBITDA at a compound annual growth rate of 29 per cent over the same period. The growth through acquisitions and bids we have achieved subsequent to year-end has been further accretive, adding to our cash available for distribution and moving our payout ratio toward our goal of 85 per cent on an annualized basis."

To assist with understanding the Company's performance, STA has reported its results for the year ended June 30, 2005, which combine the 173-day results of the operating entity prior to the IPO and the 192-day results subsequent to the offering. These are referred to as the combined year-end results, and are compared to the results of the operating entity for the same period of last year.

Combined revenue for fiscal 2005 was \$109.7 million, up 22.3 per cent from \$89.8 million last year. The increase in revenue was driven primarily by three acquisitions and four new bid contracts awarded in fiscal 2005, as well as price increases during the year.

Combined EBITDA* for the year grew 31 per cent to \$21.4 million, compared to \$16.4 million in fiscal 2004, despite the increase in fuel prices in the second half of the year.

During the fourth quarter and for the year, the Company experienced an increase in fuel pricing compared to the same period last year. Fuel costs accounted for 6.5 per cent of total operating revenues. The effect of higher market fuel prices on the Company's results was partially mitigated due to approximately 40 per cent of STA's revenue contracts including some form of fuel protection against price increases, ranging from fuel adjustment clauses and reimbursements to outright purchase of fuel by school districts.

Revenue in the fourth quarter of fiscal 2005 rose 22.4 per cent to \$30.2 million from \$24.7 million in the same period last year, primarily due to the acquisitions and new contracts awarded. EBITDA for the quarter increased 51 per cent to \$6.1 million from \$4.1 million in the fourth quarter of fiscal 2004, despite the higher fuel price environment.

STA posted a net loss of \$3.3 million in the fourth quarter, and a net loss of \$3.8 million for the 192-day period ended June 30, 2005. This represents a net loss of \$0.26 per unit for the quarter and a net loss of \$0.30 for the

192-day period ended June 30, 2005. Non cash charges for depreciation and amortization expense, combined with an unrealized loss on foreign currency exchange contracts, accounted for \$8.4 million and \$13.1 million of the total net loss for the quarter and 192-day period, respectively.

"STA has reliable cash flow and our business model demonstrates our resilience to factors such as the current high price of fuel. Most of our management team has worked together for 10 to 15 years and have faced similar types of challenges over the years. This team has experience in delivering top and bottom line growth and we are actively reviewing a variety of options to reduce costs. These include working with our customers on contract re-openers, participating in state purchasing programs, investigating hedging a portion of our fuel purchases, exploring the use of bio-fuels, focusing on conservation in our operations and improving our National Account purchases," Mr. Gallagher said. "We are committed to keeping our operations and customers safe, maintaining our growth strategy and maximizing cash available for distributions. I believe the Income Trust-IPS model is a perfect vehicle for us to achieve our goals. We are very pleased with the support we have received from investors."

Effective July 1, 2005, David White was appointed President and Chief Operating Officer of STA. Mr. White has been a member of STA's board of directors since October 2004. His past experience includes seven years of progressively senior positions with Laidlaw Inc., including President of their Healthcare Transportation division. During his tenure at Laidlaw, he worked closely with Mr. Gallagher. He holds a BA in Economics from the University of Western Ontario, an MBA from the University of Toronto and is a Chartered Accountant. Mr. White replaces Kenneth Needler, who recently retired and remains with STA as a member of the Board of Directors.

Steady, Disciplined Growth Projected

Mr. Gallagher continued, "STA has successfully grown through a disciplined approach that combines both acquired and organic revenues in established regions, which builds regional density and lowers our cost of operations. The recent launch of our Canadian operating company brings us to five regions, and provides a solid base for growth throughout North America. We continue to have a strong pipeline of opportunities for acquisitions and bid-ins and are positioned to increase our density in existing regions, enter new markets and continue our steady growth in fiscal 2006."

Subsequent to year-end, STA announced the acquisition of certain assets of A&E West Coast Transport, Inc. of California, adding new revenue contracts in excess of \$4 million annually. Shortly afterward, STA was awarded \$5 million in new contracts for the 2005-2006 school season in existing operating regions.

Also in July, STA formed Student Transportation of Canada (STC), a Canadian operating company. STC provides a base for acquiring school bus contracts and contractors throughout Canada. STC expanded immediately with the accretive acquisition of the School Bus Division of Ayr Coach Lines of Waterloo, Ontario, in early August. The division has annual revenue of approximately CDN \$4.3 million.

STA has successfully acquired and integrated 20 school bus companies, won 25 new school district contracts and completed six school district conversions (from public to private provision of school bus services) since its inception in 1997.

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STA's interim financial statements, notes to financial statements and management's discussion and analysis are available at www.sedar.com or at the Company's investor web site www.sta-ips.com.

Conference Call & Webcast

Management will host a conference call and live audio webcast to discuss STA's performance for the fourth quarter and fiscal year 2005 at 8:30 a.m. (ET) on September 27, 2005. The call may be accessed at: 1-800-814-4853 or 416-640-4127. There will also be a webcast and subsequently archived at www.sta-ips.com. A taped rebroadcast will be available until October 4 at midnight. To access the rebroadcast, please dial 416-640-1917 or 1-877-289-8525 and quote the passcode 21152006#.

Annual Meeting of IPS Holders

STA will hold its Annual General Meeting of IPS holders on Thursday, December 8, 2005 at 10 a.m. ET at the TSX Gallery located at The Exchange Tower at 130 King Street West in Toronto. The meeting will also be webcast live at STA's web site at www.sta-ips.com.

The Issuer is the fifth-largest provider of school bus transportation services in North America, conducting

operations through local operating subsidiaries. The Issuer has become a leading school bus transportation company by aggregating operations through the consolidation of existing providers and conversion of in-house operations and currently operates more than 3,000 school vehicles in North America. For more information, please visit www.sta-ips.com.

*** Non-GAAP Measures**

EBITDA (earnings before interest, taxes, depreciation and amortization) is a non-GAAP financial measure, but management believes it is useful in measuring STA's performance. Readers are cautioned that this measure should not be construed as an alternative to net income or loss or other comparable measures determined in accordance with GAAP as an indicator of the company's performance or as a measure of its liquidity and cash flow. The Company's method of calculating non-GAAP measures may differ from the methods used by other issuers and accordingly, the company's non-GAAP measures may not be comparable to similarly titled measures used by other issuers.

Cash available for distributions is a non-GAAP measure, and is not intended to be representative of cash flow or results of operations determined in accordance with GAAP. Investors are cautioned that cash available for distribution, as calculated by the Company, is unlikely to be comparable to similar measures used by other issuers.

Forward-Looking Statements

This news release contains "forward-looking statements" within the meaning of applicable securities laws. These statements concern anticipated future events, results, circumstances, performance or expectations that are not historical facts. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties that can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. These statements are made as of the date of this news release and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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