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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Image Sensing Systems Announces Second Quarter Results

Saint Paul, Minn., July 22, 1997-- Image Sensing Systems, Inc. (NASDAQ/Small Cap: ISNS), a maker of video-based traffic management systems, announced today financial results for its second fiscal quarter ended June 30, 1997.

Revenues for the second quarter of 1997 were \$1,131,000, up 33% from \$852,000 for the same period a year ago. Revenues for the six month period ended June 30, 1997 were \$2,036,000, up 37% from \$1,482,000 a year ago. The increase in revenues for the quarter and the six month period was due primarily to higher royalty income resulting from added sales of Autoscope? systems, the Company's cornerstone product, by the Image Sensing Systems, Inc. (ISS) North American distribution partner.

Net income for the second quarter was \$257,000 or \$.10 per share versus a net loss of \$298,000 or \$.12 per share for the comparable period in 1996. Net income for the six month period was \$262,000 or \$.10 per share versus a net loss of \$875,000 or \$.50 per share in 1996. The increase in earnings for the second quarter and six month period in 1997 was due primarily to increased revenues and across the board reductions in operating costs.

Dr. Spiro G. Voglis, President and Chief Executive Officer, said, "We are extremely pleased to announce record second quarter results. We have now had three consecutive quarters of profitability and believe the next two quarters will also be profitable."

Revenues from royalties increased 52% over the second quarter of 1996 while revenues from direct sales increased by over 125%. Sales revenue increases for the second quarter were offset in part by decreased contract fees as the Company finished a large contract in the fourth quarter of 1996. Operating costs were 20% less in the second quarter of 1997 compared to 1996 as the Company continued to focus sales and marketing activities in areas that have proven to be productive.

Dr. Voglis added, "The balance of 1997 will be exciting for ISS. We now have a prototype of our next generation Autoscope product up and working and expect to deliver an initial order to a customer in the fourth quarter of 1997. We are confident that royalties from our US distribution partner will continue to increase as will continued acceptance of Autoscope technology in Europe and Asia Pacific."

ISS develops and markets products using video image processing technology for use in advanced traffic management systems and traffic data collection to reduce congestion and improve roadway planning. Also known as machine vision or artificial vision, video image processing uses video cameras and computers to emulate the function of the human eye and is used in a variety of industrial applications. ISS has combined its proprietary machine vision technology, consisting of complex algorithms, software,

and special purpose hardware, with commercially available computer hardware and video cameras to create a system that collects, processes, and analyzes video images.

Three-Month Period Ended June 30, 1997

<i>(Dollars in thousands except per share amounts)</i>	<u>1997</u>	<u>1996</u>
Revenue	\$1,131	\$852
Operating (loss)	236	(320)
Net income (loss)	257	(298)
Net income (loss) per share	\$.10	\$(.12)
Weighted average number of common shares and common share equivalents outstanding	2,475,000	2,475,000

Six-Month Period Ended June 30, 1997

<i>(Dollars in thousands except per share amount)</i>	<u>1997</u>	<u>1996</u>
Revenue	\$2,036	1,482
Operating (loss)	213	(945)
Net income (loss)	262	(875)
Net income (loss) per share	\$.10	\$(.50)
Weighted average number of common shares and common share equivalents outstanding	2,475,000	2,475,000

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