

Image Sensing Systems, Inc.
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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Image Sensing Systems Announces Third Quarter Results

Saint Paul, Minn., October 28, 1997-- Image Sensing Systems, Inc. (NASDAQ/Small Cap: ISNS), announced third quarter earnings of \$220,000 or \$.09 per share, a significant improvement from a loss of \$249,000 or \$.10 per share a year earlier.

Revenues for the third quarter of 1997 increased to \$1,178,000, up 63% from \$723,000 for the same period a year ago. The increase in revenues for the third quarter was due primarily to higher royalty and commission income received from Econolite Control Products, Inc., the North American distributor for Image Sensing Systems, Inc. (ISS). Shipment of 34 Autoscope systems to Houston, Texas and an upgrade of 168 Autoscope systems in Oakland County, Michigan accounted for a significant portion of the increase.

Revenues for the nine month period ended September 30, 1997 increased to \$3,214,000, up 46% from \$2,205,000 a year ago. The increase was due primarily to higher unit sales and upgrades reported by Econolite and increased direct sales by ISS.

Net income for the nine month period was \$482,000 or \$.19 per share versus a net loss of \$1,124,000 or \$.45 per share in 1996. The increase in earnings for the third quarter and nine month period in 1997 was due primarily to increased revenues and continued across the board reductions in operating costs.

Dr. Spiro G. Voglis, President and Chief Executive Officer, said, "We are extremely pleased with third quarter results. We have now had four consecutive quarters of profitability and are optimistic that the fourth quarter will also be profitable. The fourth quarter is always challenging as road construction and bidding activity typically slow down."

Revenues from royalties increased 186% over the third quarter of 1996 while revenues from direct sales increased by 26%. Sales and royalty revenue increases for the third 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 11% less in the third quarter of 1997 compared to 1996 as the Company continued to focus sales and marketing activities in areas that have proven to be productive and to trim contracted services for product development.

Dr. Voglis added, "We are excited about the recent initial acceptance of our next generation Autoscope product. The first installation of this new product is currently underway in the Minneapolis downtown business district. When complete, there will be 65 intersections using 138 image sensors developed by ISS. The image sensors will be used in an operational field test to see if traffic signals can adapt to traffic conditions in real time thereby improving traffic flow."

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 September 30, 1997

<i>(Dollars in thousands except per share amounts)</i>	<u>1997</u>	<u>1996</u>
Revenue	\$1,178	\$723
Operating (loss)	197	(268)
Net income (loss)	220	(249)
Net income (loss) per share	\$.09	\$(.10)
Weighted average number of common shares and common share equivalents outstanding	2,496,000	2,475,000

Nine-Month Period Ended September 30, 1997

<i>(Dollars in thousands except per share amount)</i>	<u>1997</u>	<u>1996</u>
Revenue	\$3,214	2,205
Operating (loss)	410	(1,213)
Net income (loss)	482	(1,124)
Net income (loss) per share	\$.19	\$(.45)
Weighted average number of common shares and common share equivalents outstanding	2,493,000	2,475,000

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