

Image Sensing Systems, Inc.
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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Image Sensing Systems, Inc. Announces Year End Results for 1997

Saint Paul, Minn., February 17, 1998-- Image Sensing Systems, Inc. (NASDAQ/Small Cap: ISNS), announced earnings of \$487,000 or \$.20 per share (basic and diluted) for 1997, compared with a loss of \$1,038,000 or \$.42 per share (basic and diluted) for 1996.

Fourth quarter earnings were \$5,000 or \$.00 per share compared to \$86,000 or \$.03 per share a year earlier. Earnings decreased in the fourth quarter as higher expenses were incurred related to introduction of the new Autoscope Solo system. Revenues for the fourth quarter of 1997 increased to \$1,114,000, up 13% from \$987,000 for the same period a year ago. The increase in revenues for the fourth quarter was due primarily to a sale of the Company's new Solo system to the Minnesota Department of Transportation (MnDOT). The Solo system will be used for a traffic management project in downtown Minneapolis set to start this fall.

Revenues for the year increased to \$4,328,000, up 36% from \$3,192,000 a year ago. The increase was due primarily to higher unit sales reported by its North American distributor, including over 200 system upgrades, and increased direct sales by ISS. The increase reflects more acceptance of machine vision for use in traffic management projects in the US, Europe and Asia Pacific countries.

Net income for the year was \$487,000 or \$.20 per share versus a net loss of \$1,038,000 or \$.42 per share in 1996. The improvement from a year ago was due primarily to increased revenues while operating costs were reduced generally in every area.

Dr. Spiro G. Voglis, President and Chief Executive Officer, said, "We are obviously pleased with the momentum we have achieved in 1997. We have now had five consecutive quarters of profitability and see the potential for another record year in 1998."

Dr. Voglis added, "The year has begun with two positive developments. First, delivery of the new Autoscope Solo product to the City of Minneapolis is nearly complete and testing has gone well. In 1998 Minneapolis will begin using the Solo product for an operational field test to see whether traffic signals can adapt to traffic conditions in real time. Second, Phase III of the FAST TRAC project with the Road Commission Of Oakland County, Michigan was signed in January. This \$377,000 contract will allow us to further develop our machine vision capabilities at the largest Autoscope installation site in the country. We are off to a solid start in 1998 and are confident that we will build upon the outstanding performance of 1997."

Image Sensing Systems, Inc., based in St. Paul, MN, 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. The Company has over 2,000 Autoscope systems installed in 30 countries

Three-Month Period Ended December 31

<i>(Dollars in thousands except per share amounts)</i>	<u>1997</u>	<u>1996</u>
Revenues	\$1,114	\$987
Operating income (loss)	(13)	65
Net income	5	86
Net income per share-basic and diluted	\$.00	\$.03
Weighted average number of common shares and common share equivalents outstanding	2,498,000	2,475,000

Twelve Month Period Ended December 31

<i>(Dollars in thousands except per share amount)</i>	<u>1997</u>	<u>1996</u>
Revenues	\$4,328	\$3,192
Operating (loss)	397	(1,148)
Net income (loss)	487	(1,038)
Net income (loss) per share-basic and diluted	\$.20	\$ (.42)
Weighted average number of common shares and common share equivalents outstanding	2,478,000	2,475,000

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: This report contains "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain factors that could cause results to differ materially from those anticipated by some of the statements made, as listed in the Company's 1999 Annual Form 10-KSB.

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