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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Image Sensing Systems Announces Third Quarter Results

Saint Paul, Minn., October 22, 1998-- Image Sensing Systems, Inc. (NASDAQ/Small Cap: ISNS), a maker of video-based traffic management systems, announced today financial results for its third fiscal quarter ended September 30, 1998.

Revenues for the third quarter of 1998 were \$677,000, down 43% from \$1,178,000 for the same period a year ago. Revenues for the first nine months of 1998 were \$2,224,000, down 31% from \$3,214,000 a year ago. The decrease in revenues for the quarter and first nine months of the year was due primarily to fewer sales of Autoscope? systems, the Company's cornerstone product, by Image Sensing Systems, Inc. (ISS) directly to overseas customers and by Econolite Control Products, Inc., its North American distribution partner. Lower average per unit selling prices also contributed to the decline in revenues.

President and Chief Executive Officer, William L. Russell, said, "We are pleased to announce an eighth consecutive quarter of profitability. Responding to the delay in passage of the transportation bill by the United States Congress and the deepening Asian economic crisis, the Company made structural changes to offset anticipated revenue shortfall. We also recognized that in the third quarter of 1997 the combination of a large order shipped to Houston, Texas and an upgrade of 168 Autoscope systems in Oakland County, Michigan resulted in record revenues and earnings. We were not able to match these results in the third quarter of 1998."

Net income for the third quarter was \$17,000 or \$.01 per share versus \$220,000 or \$.09 per share for the comparable period in 1997. Net income for the first nine months of 1998 was \$64,000 or \$.03 per share versus \$482,000 or \$.19 per share in 1997. The decrease in earnings for the third quarter and nine-month period of 1998 was due primarily to decreases in revenues.

Revenue from royalties and direct sales for the third quarter and for the first nine months of 1998 decreased due primarily to fewer Autoscope system sales in 1998 compared to 1997. The Company believes the nine-month delay in passage of the transportation bill in Congress caused traffic managers to put off traffic management projects otherwise planned for 1998. The continuing Asian economic crisis is also having a negative impact on direct sales overseas.

Mr. Russell added, "We are seeing signs that passage of the six-year \$198 billion transportation bill this summer may have a positive impact on domestic sales and royalty income for the fourth quarter of 1998. Overseas, European sales are expected to show increases over 1997, but may be offset by declining Asian sales."

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.

Statements regarding the Company's anticipated performance for the fourth quarter of 1998 are forward-looking and therefore involve risk and uncertainties, including but not limited to: the ability and willingness of governmental agencies responsible for roadway planning to invest in Autoscope machine vision technology for advanced traffic management, the impact of new products introduced by competitors, higher than expected expenses to establish a worldwide marketing presence and the ability of the Company's North American manufacturing and distribution partner, Econolite Control Products, Inc., to adequately manufacture and effectively market the Autoscope system and to pay royalties owed the Company for sales of the Autoscope system.

Three-Month Periods Ended September 30, 1998 and 1997

(Dollars in thousands except per share amounts)

	<u>1998</u>	<u>1997</u>
Revenues	\$ 677	\$1,178
Operating income (loss)	(6)	197
Net income	17	220
Net income per share-basic and diluted	\$.01	\$.09
Weighted average number of common shares and dilutive potential common shares outstanding	2,482,000	2,490,000

Nine-Month Periods Ended September 30, 1998 and 1997

(Dollars in thousands except per share amounts)

	<u>1998</u>	<u>1997</u>
Revenues	\$2,224	\$3,214
Operating income (loss)	(14)	410
Net income	64	482
Net income per share-basic and diluted	\$.03	\$.19
Weighted average number of common shares and dilutive potential common shares outstanding	2,484,000	2,477,000

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