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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Image Sensing Systems, Inc. Announces Earnings for 1998

Saint Paul, Minn., February 1, 1999-- Image Sensing Systems, Inc. (NASDAQ/Small Cap: ISNS), a maker of video-based traffic management systems, announced today financial results for its fourth quarter and year ended December 31, 1998.

Fourth quarter earnings were \$145,000 or \$.06 per share compared to \$5,000 or \$.00 per share last year. Revenues for the fourth quarter of 1998 increased to \$1,117,000 compared to \$1,114,000 for the same period a year ago. This year's improved fourth quarter earnings were due primarily to a more favorable mix of revenue. Revenue from royalty income increased \$307,000 while combined revenue from direct sales and contract income decreased \$304,000, the former having a higher gross profit margin. The increase in royalty income for the fourth quarter was due primarily to a large sale in December to the Road Commission of Oakland County, Michigan, the largest user of Autoscope technology in the world.

President and Chief Executive Officer, William L. Russell, said, "Going into the quarter, we were somewhat uncertain as to how the delay in passage of the transportation bill by the United States Congress and the continuing Asian economic crisis would affect revenues. In addition, we were no longer capitalizing software development costs for the Solo product, which became part of our product line in October. Considering the uncertainties, we were extremely pleased with the financial results for the fourth quarter, which marks our ninth consecutive quarter of profitability."

Net income for the year was \$209,000 or \$.08 per share versus \$487,000 or \$.20 per share in 1997. The decrease from a year ago was due primarily to a decline in revenues offset in part by reduced operating costs. Revenues for the year were \$3,341,000, compared to \$4,328,000 a year ago. Royalty income decreased \$549,000, which the Company believes resulted primarily from the delay in signing of the U.S. transportation bill which funds major municipal and state projects that use the Company's Autoscope technology. Direct sales declined \$556,000 compared to last year, when the Company made a large sale to the Minnesota Department of Transportation (MnDOT). This direct sale was made with special permission from the Company's U.S. distribution partner since they considered the sale a pilot project to introduce the Company's new Autoscope Solo product. The poor economic climate in Asia also contributed to decreased international sales. Operating costs decreased by \$277,000, primarily due to capitalizing software development costs for nine months.

Mr. Russell added, "We were reasonably satisfied with the financial results for the year. In 1997 we benefited from a significant freeway management project in Houston, a large sale to MnDOT and a major Autoscope upgrade in Oakland County, Michigan. In 1998 we were faced with the delay in Federal funding of such projects and the uncertainty of the affect of the Asian recession. To show profitable

results for each quarter in 1998 was very gratifying and may indicate that we have turned the corner. We are optimistic that we can improve our financial performance in 1999.”

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.

Statements regarding the Company's anticipated performance for 1999 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 Period Ended December 31 <i>(Dollars in thousands except per share amounts)</i>	<u>1998</u>	<u>1997</u>
	\$1,117	\$1,114
Revenues	127	(13)
Operating income (loss)	145	5
Net income	\$.06	\$.00
Net income per share-basic and diluted		
	2,482,000	2,492,000
Wighted average number of common shares and dilutive potential common shares outstanding		
 Year Ended December 31 <i>(Dollars in thousands except per share amounts)</i>	 <u>1998</u>	 <u>1997</u>
	\$3,341	\$4,328
Revenues	113	397
Operating income (loss)	209	487
Net income	\$.08	\$.20
Net income per share-basic and diluted		
	2,484,000	2,478,000
Weighted average number of common shares and dilutive potential common shares outstanding		

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