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## **NEWS RELEASE**

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### **FOR IMMEDIATE RELEASE**

## **Image Sensing Systems, Inc. Announces Second Quarter Results**

**Saint Paul, Minn., July 22, 1999--** Image Sensing Systems, Inc. (NASDAQ/Small Cap: ISNS), the leading maker of video-based traffic management systems, announced today financial results for its second fiscal quarter ended June 30, 1999.

Revenues for the second quarter of 1999 were \$1,131,000, up 43% from \$789,000 for the same period a year ago while revenues for the first half of 1999 were \$2,287,000, up 48% from \$1,547,000 a year ago. The increase in revenues for the quarter and first half of the year was due primarily to more 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.

President and Chief Executive Officer, William L. Russell, said, "We are pleased with the significant revenue increases generated by our international sales staff and by Econolite Control Products, Inc., our North American distribution partner. Machine vision for traffic management is clearly winning greater acceptance around the globe and our Autoscope product is leading the trend. We believe that the extensive product improvements that are underway and scheduled for completion in 1999 will further enhance our front-running position."

Net loss for the second quarter was \$40,000 or \$.02 per share versus net income of \$46,000 or \$.02 per share for the comparable period in 1998. Net income for the first half of 1999 was \$15,000 or \$.01 per share versus \$47,000 or \$.02 per share in 1998. The decrease in earnings for the second quarter and first half of 1999 was due primarily to research and development expenses incurred and fully expensed in 1999 compared to software development costs (\$303,000 and \$562,000, respectively) which were capitalized for the same periods in 1998.

Mr. Russell added, "Fully expensing software development costs has adversely affected our earnings for the periods. However, we have managed to increase revenues by 48% in the first half of 1999 with less than a one- percent increase in staff and overhead expenses. For the second half of 1999, we expect to capitalize on the potential for several large orders for our Autoscope products in both Europe and Asia. We remain confident that North American sales will keep pace with the first half of the year."

Image Sensing Systems' Autoscope® wide area video vehicle detection system collects a broad range of traffic data including volume, speed, roadway occupancy, headways, ramp queue lengths and vehicle classification. ISS has more than 2,800 Autoscope systems installed in 30 countries around the world, including a large number of U.S. sites.

Based in Saint Paul, Minnesota, Image Sensing Systems, Inc. is the world leader in products applying video imaging technology for implementation in advanced traffic management systems (ATMS), freeway incident detection and traffic data collection to help reduce traffic congestion and improve

roadway planning. The Company's cornerstone Autoscope products provide traffic managers the means to reduce roadway congestion, improve roadway planning and increase cost efficiencies. The Company is particularly suited to provide technical solutions to the emerging ITS market worldwide.

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 Periods Ended June 30, 1999 and 1998**

*(Dollars in thousands except per share amounts)*

	<u>1999</u>	<u>1998</u>
Revenues	\$1,131	\$ 789
Operating income (loss)	(64)	20
Net income (loss)	(40)	46
Net income (loss) per share	\$(0.02)	\$0.02
Weighted average number of common shares outstanding:		
Basic	2,479,000	2,479,000
Diluted	2,530,000	2,493,000

**Six-Month Periods Ended June 30, 1999 and 1998**

*(Dollars in thousands except per share amounts)*

	<u>1999</u>	<u>1998</u>
Revenues	\$2,287	\$1,547
Operating income (loss)	(25)	(8)
Net income	15	47
Net income per share	\$ 0.01	\$ 0.02
Weighted average number of common shares outstanding:		
Basic	2,479,000	2,478,000
Diluted	2,531,000	2,483,000

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