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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Image Sensing Systems, Inc. Announces Third Quarter Results

Saint Paul, Minn., October 21, 1999-- ST. PAUL, Minn., October 21 - Image Sensing Systems, Inc. (NASDAQ/Small Cap: ISNS), the leading maker of video-based traffic management systems, announced today financial results for its third fiscal quarter ended September 30, 1999.

Revenues for the third quarter of 1999 were \$895,000, up 32% from \$677,000 for the same period a year ago while revenues for the first nine months of 1999 were \$3,182,000, up 43% from \$2,224,000 a year ago. The increase in revenues for the quarter and first nine months 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, "The steady increase in revenues confirms the growing acceptance of machine vision technology and increase in bidding and project activity in the world-wide market place. The Company is aggressively pursuing opportunities through its enhanced distribution network in Europe, and subsidiary Flow Traffic in Asia."

Net loss for the third quarter was \$247,000 or \$.10 per share versus net income of \$17,000 or \$.01 per share for the comparable period in 1998. Net loss for the first nine months of 1999 was \$232,000 or \$.09 per share versus net income of \$64,000 or \$.03 per share in 1998. The decrease in earnings for the third quarter and first nine months of 1999 was due primarily to research and development expenses incurred and fully expensed in 1999 compared to software development costs (\$263,000 and \$825,000, respectively) that were capitalized for the same periods in 1998.

Mr. Russell added, "We are in a very cyclical business, never-the-less, our revenues are up, backlog is growing and we are considerably ahead of the same period last year. We are confident that the high investment in technology and market development will lead to increased revenues and earnings in the near future."

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 September 30, 1999 and 1998

(Dollars in thousands except per share amounts)

	<u>1999</u>	<u>1998</u>
Revenues	\$895	\$ 677
Operating income (loss)	(264)	(6)
Net income (loss)	(247)	17
Net income (loss) per share	\$(0.10)	\$0.01

Weighted average number of common shares outstanding- basic and diluted	2,479,000	
2,482,000		

Nine-month Periods Ended September 30, 1999 and 1998

(Dollars in thousands except per share amounts)

	<u>1999</u>	<u>1998</u>
Revenues	\$3,182	\$2,224
Operating income (loss)	(289)	(14)
Net income (loss)	(232)	64
Net income (loss) per share	\$(0.09)	\$ 0.03

Weighted average number of common shares outstanding:		
Basic	2,479,000	2,481,000
Diluted	2,479,000	2,484,000

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