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## **NEWS RELEASE**

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### **FOR IMMEDIATE RELEASE**

## **Image Sensing Systems Announces 1999 Earnings**

### **Fourth Quarter Earnings More Than Double Compared with 1998**

**Saint Paul, Minn., February 3, 2000--** Image Sensing Systems, Inc. (NASDAQ/Small Cap: ISNS), a leading maker of video-based traffic management systems, announced today unaudited financial results for its fourth quarter and year ended December 31, 1999.

Fourth quarter earnings more than doubled to \$374,000 or \$.15 per share compared with \$145,000 or \$.06 per share last year. Revenues for the fourth quarter of 1999 increased 38 percent to \$1,583,000 compared with \$1,144,000 for the same period a year ago. This year's improved fourth quarter earnings were due primarily to increased revenues from direct sales. Revenue from royalty income decreased 11 percent, or \$105,000, while combined revenue from direct sales and contract income increased 226 percent, or \$544,000. The increase in direct sales income for the fourth quarter was due primarily to increased sales from our Flow Traffic subsidiary.

ISS also announced that it has restated its financial statements for the three and nine months ended September 30, 1999, to reflect the capitalizing of software development cost in order to be consistent with what was done in 1998 and with Statement of Financial Accounting Standards No. 86. The company's research and development expense was restated from \$174,000 to \$53,000 in the third quarter and year-to-date from \$563,000 to \$422,000. The company's net loss for the third quarter was restated from \$247,000 or \$.10 per share to \$126,000 or \$.05 per share. The year to date loss was restated from \$232,000 or \$.09 per share to \$111,000 or \$.05 per share.

Bill Russell, Chairman and CEO, commented, "ISS had a strong fourth quarter due to contracts won earlier in the year entering the delivery phase. During the quarter the Atlanta Autoscope project shipped, which led to an increase of royalty income. In addition, Flow Traffic has begun to ship the projects won earlier in the year, which contributed to the growth in fourth quarter revenue. Our business tends to be cyclical as evidenced, once again, by a strong fourth quarter performance."

Net income for the year increased more than 25 percent to \$263,000 or \$.11 per share versus \$209,000 or \$.08 per share in 1998. The increase from a year ago was due primarily to increased royalty income and direct sales, offset in part by increased operating costs. Revenues for the year increased more than 40 percent to \$4,765,000, compared with \$3,368,000 a year ago. Royalty income increased by 26

percent or \$578,000, and direct sales increased by 94 percent, or \$831,000, primarily from our Flow Traffic subsidiary. Operating costs increased by 34 percent, or \$854,000, primarily due to acquisition costs related to Flow Traffic, product development and investment in increased worldwide sales and marketing infrastructure, somewhat offset by capitalizing software development costs in the third and fourth quarters.

Mr. Russell added, "We are delighted with the financial results for the year. In 1999 we benefited from increased domestic sales developed by our partner, Econolite Control Products, Inc., as well as making significant progress in Asia and Europe. We are experiencing accelerated interest in machine vision as a solution to detection problems that has led to large increase in the number and value of projects going forward. The transportation engineering community is generally accepting systems of this nature around the world. We are confident that we will continue to grow revenues of Image Sensing Systems, Inc. in both the domestic and international markets, leading to improved financial performance in 2000.

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 2000 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

*(Dollars in thousands except per share amounts)*

	<u>1999</u>	<u>1998</u>
Revenues	\$1,583	\$1,144
Operating income	342	127
Net income	374	145
Net income per share - Basic	\$ .15	\$ .06
- Diluted	\$ .15	\$ .06
Weighted average number of common shares		
- Basic Outstanding	2,479,200	2,480,000
- Diluted Outstanding	2,559,200	2,480,000

### Year Ended December 31

*(Dollars in thousands except per share amounts)*

	<u>1999</u>	<u>1998</u>
Revenues	\$4,765	\$3,368
Operating income	174	113
Net income	263	209
Net income per share - Basic	\$ .11	\$ .08
- Diluted	\$ .10	\$ .08
Weighted average number of common shares		
- Basic Outstanding	2,479,200	2,480,000
- Diluted Outstanding	2,551,200	2,480,000