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## **NEWS RELEASE**

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### **FOR IMMEDIATE RELEASE**

### **IMAGE SENSING SYSTEMS REVISES FISCAL YEAR 2001 UNAUDITED EARNINGS**

**SAINT PAUL, Minn., — March 22, 2002—** Image Sensing Systems, Inc. (NASDAQ/Small Cap: ISNS), a leading maker of video-based traffic management systems, announced today a revision to its unaudited financial results for its fourth quarter and year ended December 31, 2001.

Revenues for the fourth quarter of 2001 increased 8% to \$2,071,000, compared with \$1,913,000 for the same period a year ago. Revenues for fiscal year 2001 were \$6,682,000, an increase of 14% from \$6,036,000 in fiscal year 2000. The increase in revenue income for the fourth quarter and fiscal year 2001 was due primarily to increased royalties from our North American partner, Econolite Control Products Inc., resulting from increased sales of the Autoscope® systems.

Net loss for the fourth quarter was \$116,000, or \$.04 per share, versus a net loss of \$43,000, or \$.01 per share, for the comparable period in 2000. Net loss for 2001 was \$455,000, or \$.14 per share, versus net loss of \$50,000, or \$.02 per share, in 2000. Revised losses for both the quarter and year-end reflect a one-time charge for discontinued activities of \$368,000, or \$.12 per share.

Anthony H. Gould, President and CEO, commented, "While the company achieved record sales in 2001 for its core Autoscope product, increasing royalty income by 43% above the previous highest level of \$2,801,000 in 1999, it has become apparent that non-core business activity related to Mobile Blocker and certain other wireless communication system products has not resulted in satisfactory returns.

"The Mobile Blocker product, which has been designed to prevent the use of mobile telephones and pagers in defined areas, faces fierce competition on price and is restricted from sale in many countries, including the United States. Our involvement in that business was predicated on the

belief that a substantial demand existed in the Middle East for such a product, but sales have not resulted to a level that justifies further investment. One large order from Bahrain for 5,000 units, which caused considerable optimism initially for Mobile Blocker and was the subject of a press statement issued by the company dated October 9, 2000, has not been confirmed and no payments have been secured by the company.

“We have therefore decided to exit the Mobile Blocker business and to limit involvement in other wireless video and data communication systems to those products and markets which are directly related to transport applications and which add value to our core business of video detection systems for traffic management.

“This decision requires us to write off the existing stock of Mobile Blocker units which will not be saleable without further investment and modification. The effect of this write off and other minor write downs of old inventory is to reduce 2001 gross margin by \$368,000 and has the same effect on the bottom line.

“We believe that a return of focus on our core business and investment related to maintaining and expanding our premier international position in machine vision technology for transportation applications is the best route to sustained and growing profitability.”

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 also markets products that provide wireless transmission of video and data for the transportation market. The Company's cornerstone Autoscope® products provide traffic managers the means to reduce roadway congestion, improve roadway planning and increase cost efficiencies. Econolite Control Products, Inc., based in Anaheim, California, has been the exclusive distributor of Autoscope products throughout North America since 1991. Image Sensing Systems, Inc. and Econolite Control Products, Inc. are particularly suited to provide technical solutions to the emerging intelligent transportation systems and security markets worldwide. The company's products are sold throughout Asia by its wholly owned subsidiary, Flow Traffic Limited, which has offices in Hong Kong, China and Thailand.

**Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:** This report contains “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain factors that could cause results to differ materially from those anticipated by some of the statements made, as listed in the Company's 2000 Annual Report Form 10-KSB.

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Image Sensing Systems, Inc.

March 22, 2002

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**Three-Month Period Ended December 31**

*(Dollars in thousands except per share amounts)*

	<u>2001</u>	<u>2000</u>
Revenues	\$2,071	\$1,913
Non-recurring write off	(368)	-
Operating income	(146)	5
Net income	(116)	(43)
Net income per share Basic and Diluted	(.04)	(.01)

**Year Ended December 31**

*(Dollars in thousands except per share amounts)*

	<u>2001</u>	<u>2000</u>
Revenues	\$6,682	\$6,036
Non-recurring write off	(368)	-
Operating income	(595)	(203)
Net income	(455)	(50)
Net income per share Basic and Diluted	(.14)	(.02)

Weighted average number of common shares outstanding

- Basic and Diluted Outstanding	3,148,000	3,143,000
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Statements regarding the Company's anticipated performance for 2002 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 or of Wireless Technology, Inc., to adequately manufacture product to meet sales demand.

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