



FOR IMMEDIATE RELEASE

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I.D. Systems, Inc. Reports Record 2004 Year-End Financial Results

Hackensack, NJ, February 16, 2005 —

I.D. Systems, Inc. (NASDAQ: IDSY) today announced its financial results for the year ended December 31, 2004. Revenues increased 73% to \$13,741,000, up from \$7,959,000 for the year ended December 31, 2003. Net income increased to \$398,000, or \$0.05 per basic and diluted share, compared to a net loss of (\$1,199,000), or (\$0.17) per basic and diluted share, a year ago. The growth in revenues and net income was primarily attributable to increased demand for the company's patented RFID-based technology – the Wireless Asset Net™ – for tracking and managing industrial equipment.

For the fourth quarter ended December 31, 2004, revenues rose 60% to \$3,983,000 compared to \$2,482,000 for the same period in 2003. Net income for the fourth quarter increased to \$16,000, compared to a net loss of (\$267,000) for the same period a year ago.

“I.D. Systems had a solid year in 2004, thanks to the continued hard work of our employees, our success in expanding relationships with key customers, and the development of new customers and new applications,” said Jeffrey Jagid, I.D. Systems’ chairman and chief executive officer. “We continue to innovate, enhance our technical capabilities, and capitalize on our unmatched experience providing high-return solutions for our customers. We believe our Wireless Asset Net industrial fleet management system is becoming a ‘best-practice’ technology for corporate material handling and we are achieving significant milestones in opening new markets for our RFID-based solutions, including homeland security, rental car fleet management, and remote machine monitoring. We are pleased to note that 2004 was I.D. Systems’ best year to date, on many levels.”

Ned Mavrommatis, I.D. Systems’ chief financial officer, said, “The company continues to meet or exceed its strategic objectives. In 2004, we continued to balance rapid growth with sound cost management, achieving a high double-digit year-over-year increase in revenues, sustaining a high gross profit margin – 53% this year compared to 49% in 2003 – and realizing net income of \$.05 per diluted share. I.D. Systems also generated positive cash flow from operations in 2004 of \$1,623,000. The company’s financial condition remains strong. As of December 31, 2004, the company had \$11.6 million in cash, cash equivalents and investments, and \$12.7 million of working capital, compared to \$8.6 million and \$8.2 million, respectively, at December 31, 2003.”

Selling, general and administrative (SG&A) expenses for the year ended December 31, 2004 were \$5,879,000, up from \$4,456,000 for the year ended December 31, 2003, as payroll expenses increased to support growing sales. As a percentage of revenues, however, SG&A expenses decreased to 43% in 2004, compared to 56% in 2003.

Research and development (R&D) expenditures for the year ended December 31, 2004, were \$1,234,000, up from \$891,000 in 2003. As a percentage of revenues, however, R&D expenses decreased to 9% in 2004, compared to just over 11% for 2003.

Highlights of the year ended December 31, 2004, included:

- Expansion of business with Ford Motor Company, including additional orders for I.D. Systems' industrial vehicle electronic control systems (IVECS) for Ford's North American manufacturing plants, and a new contract to provide enterprise-wide support and maintenance for IVECS.
- Expansion of business with Target Corporation, which rolled out a new version of I.D. Systems' Wireless Asset Net industrial fleet management system on approximately 400 material handling vehicles in Target distribution facilities throughout the United States.
- Continued work with the United States Postal Service (USPS), to translate the previous success of Wireless Asset Net technology at individual USPS mail processing facilities into an enterprise-wide implementation of a wireless Powered Industrial Vehicle Management System (PIVMS). These efforts culminated in a USPS contract award to I.D. Systems, announced in January 2005, for a national PIVMS deployment encompassing up to 460 USPS facilities over the next three years.
- Continued development of homeland security applications with the Transportation Security Administration (TSA), including the successful completion of a series of key functional tests at Newark Liberty International Airport, an increase in funding for the Newark program, and the award of a new TSA contract to deploy a wireless vehicle security system at a seaport in Jacksonville, Florida.
- Expansion of business with WinCo Foods, which placed a follow-on order for the Wireless Asset Net for its newest distribution center.
- Continued development of rental car fleet management applications with Avis Rent A Car System, Inc., which has a version of the Wireless Asset Net deployed on its 2,000-vehicle fleet in Puerto Rico.
- Continued work with Northrop Grumman Ship Systems, General Dynamics' National Steel and Shipbuilding Company, and the U.S. Navy's Portsmouth Naval Shipyard to develop and implement an advanced Wireless Equipment Monitoring and Control System (WEMACS) for commercial and shipyard environments.
- New business in the automotive industry, as Premier Manufacturing Support Services ordered the Wireless Asset Net on behalf of one of the world's largest automotive parts manufacturers. Premier provides management and support services for more than 120 automotive plants worldwide and could potentially develop into a strategic marketing and system support partner for I.D. Systems.
- New business in the mass market retail distribution sector, as Wajax Industries ordered the Wireless Asset Net on behalf of a major Canadian retailer, as announced in January 2005.
- New Wireless Asset Net system enhancements, including the launch of a new generation of wireless vehicle monitoring hardware (the Universal Vehicle Asset Communicator, or UVAC 02) and a series of software upgrades. The UVAC 02 has expanded data management capabilities, can be installed more quickly and easily than earlier hardware generations, simplifies interactivity for equipment operators, and allows for easier maintenance. The improved software includes expanded server options for enterprise-wide deployments, augmented database support, increased data throughput, new reporting and auto-emailing tools, and enhanced remote diagnostic capabilities.
- New RFID-based product developments, including the Battery Charger Monitoring Point™ (Battery ChaMP™), the AC Power Control Module (ACPCM), and the Machine Asset Communicator™ (MAC).
 - The Battery ChaMP provides remote management and real-time visibility of batteries and chargers used to power fleets of electric vehicles. I.D. Systems has already received an order for this new product, as announced in January 2005 – AeroVironment, Inc. purchased 500 ChaMP units for its PosiCharge™ fast-charging system, which is being deployed for a major automotive manufacturer.

- The ACPCM product, developed as part of I.D. Systems' program with the National Shipbuilding Research Program, supports Wireless Asset Net installations on complex machinery, such as cranes. The ACPCM is designed to accommodate virtually any power input and monitor multiple motor data points for advanced maintenance management and asset utilization analysis.
- The MAC product provides advanced wireless monitoring and control of fixed machinery, including automatic quality control checks, real-time alerts on out-of-specification machine parameters, automatic machine shut-down based on user-defined criteria, and electronic maintenance checklists. The initial application of MAC technology is in the automotive industry, where it is being used to enforce quality control on adhesive-dispensing robots.
- A new cooperative relationship with Unisys Corporation, which, as a subcontractor to I.D. Systems, will provide implementation services and technical support for I.D. Systems' program with the U.S. Postal Service. I.D. Systems is also working with Unisys in a informal joint marketing capacity to explore other opportunities for Wireless Asset Net system deployments within the U.S. Government.
- The transition of trading in I.D. Systems common stock from the NASDAQ Small Cap Market to the NASDAQ National Market.

Investor Conference Call

I.D. Systems will be holding a conference call for investors and analysts at 4:45 p.m. Eastern Standard Time on February 16, 2005. Jeffrey Jagid, chairman and CEO, Kenneth Ehrman, president and COO, Ned Mavrommatis, CFO, and Frederick Muntz, EVP of sales and marketing, will discuss the results of the quarter and recent developments. After opening remarks, there will be a question and answer period. The conference call will be broadcast live over the Internet via the Investors section of the company's website at www.id-systems.com. To listen to the live call, go to the website at least 10 minutes early to download and install any necessary audio software.

About I.D. Systems

I.D. Systems, Inc. is a leading provider of wireless RFID-based solutions for corporate asset management. I.D. Systems' customers include 3M, American Axle, Archer Daniels Midland, DaimlerChrysler, Deere & Co., Ford, General Dynamics, Hallmark Cards, Northrop Grumman, Target, Walgreen, the U.S. Navy, the U.S. Postal Service, and the U.S. Transportation Security Administration, among others. Using local area networks, wide area networks, and the Internet, the company's systems enable management to control and track the location and status of assets – from forklifts, tugs and cranes to automobiles and trucks – in real time. For more information on I.D. Systems, Inc., visit www.id-systems.com.

About the Wireless Asset Net™

The Wireless Asset Net consists of intelligent wireless devices installed on powered equipment, a patented radio frequency communication infrastructure, and client-server software for access control, utilization analysis, real-time location tracking, and many other functions. The Wireless Asset Net is designed to improve industrial workplace safety by restricting vehicle access to trained, authorized operators and by providing electronic safety inspection checklists. The system is designed to reduce maintenance expenses by automatically uploading vehicle data, reporting vehicle problems in real time, scheduling maintenance according to actual vehicle usage rather than on a calendar basis, and helping plant management determine the optimal economic time to replace equipment. The system is also designed to help improve labor productivity and asset utilization by ensuring equipment is in the proper place at the right time and by providing management with unique reports, charts, and analyses.

Trademarks

I.D. Systems, Inc., Wireless Asset Net, Battery Charger Monitoring Point, Battery ChaMP, ChaMP, and Machine Asset Communicator are all registered or pending trademarks of I.D. Systems, Inc.

“Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995:

This press release contains forward looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and that are subject to risk and uncertainties, including, but not limited to, the impact of competitive products, product demand and market acceptance risks, fluctuations in operating results and other risks detailed from time to time in I.D. Systems' filings with the Securities and Exchange Commission. These risks could cause I.D. Systems' actual results to differ materially from those expressed in any forward looking statements made by, or on behalf of, I.D. Systems. I.D. Systems assumes no obligation to update the information contained in this press release.

-- Tables to Follow --

I.D. Systems, Inc.
Statements of Operations

	Year Ended December 31,	
	2003	2004
Revenue	\$7,959,000	\$13,741,000
Cost of revenue	4,075,000	6,509,000
Gross profit	3,884,000	7,232,000
Operating expenses:		
Selling, general and administrative expenses	4,456,000	5,879,000
Research and development expenses	891,000	1,234,000
	5,347,000	7,113,000
Income (loss) from operations	(1,463,000)	119,000
Interest income	269,000	195,000
Interest expense	(59,000)	(63,000)
Other income	54,000	147,000
Net income (loss)	\$(1,199,000)	\$398,000
Net income (loss) per share - basic	\$(.17)	\$0.05
Net income (loss) per share – diluted	\$(.17)	\$0.05
Weighted average common shares outstanding - basic	6,905,000	7,455,000
Weighted average common shares outstanding - diluted	6,905,000	8,783,000

I.D. Systems, Inc.
Balance Sheets

	December 31, 2003	December 31, 2004
ASSETS		
Cash and cash equivalents	\$ 3,179,000	\$ 8,440,000
Short-term investments	3,339,000	3,195,000
Accounts receivable, net	2,204,000	1,432,000
Unbilled receivables	--	402,000
Inventory	676,000	1,739,000
Investment in sales type leases	37,000	39,000
Interest receivable	75,000	50,000
Officer loan	10,000	10,000
Prepaid expenses and other current assets	129,000	225,000
Total current assets	9,649,000	15,532,000
Long-term investments	2,100,000	--
Fixed assets, net	845,000	1,009,000
Investment in sales type leases	73,000	34,000
Officer loan	31,000	20,000
Deferred contract costs	675,000	476,000
Other assets	97,000	88,000
	\$ 13,470,000	\$ 17,159,000
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,055,000	\$ 2,541,000
Long term debt – current portion	188,000	199,000
Line of credit	137,000	--
Deferred revenue	89,000	95,000
Total current liabilities	1,469,000	2,835,000
Long term debt	648,000	449,000
Deferred revenue	285,000	191,000
Deferred rent	89,000	112,000
	2,491,000	3,587,000
STOCKHOLDERS' EQUITY		
Preferred stock; authorized 5,000,000 shares, \$.01 par value; none issued		
Common stock; authorized 15,000,000 shares, \$.01 par value; issued and outstanding 7,097,000 shares and 7,690,000 shares	71,000	77,000
Additional paid-in capital	22,804,000	24,994,000
Treasury stock; 40,000 shares at cost	(113,000)	(113,000)
Accumulated deficit	(11,783,000)	(11,386,000)
	10,979,000	13,572,000
	\$ 13,470,000	\$ 17,159,000

I.D. Systems, Inc.
Statements of Cash Flows

	December 31,	
	2003	2004
Cash flows from operating activities:		
Net income (loss)	\$ (1,199,000)	\$ 398,000
Adjustments to reconcile net income (loss) to cash (used in) provided by operating activities:		
Depreciation and amortization	173,000	255,000
Deferred rent expense	23,000	23,000
Deferred revenue	348,000	(88,000)
Bad debt expense	20,000	(7,000)
Deferred contract costs	(675,000)	199,000
Amortization of premium on investments	174,000	94,000
Changes in:		
Accounts receivable	(1,110,000)	779,000
Unbilled receivables	--	(402,000)
Inventory	715,000	(1,063,000)
Prepaid expenses and other assets	28,000	(87,000)
Investment in sales type leases	571,000	37,000
Installment receivable	867,000	--
Other liabilities	(100,000)	--
Accounts payable and accrued expenses	(70,000)	1,485,000
Net cash (used in) provided by operating activities	(235,000)	1,623,000
Cash flows from investing activities:		
Purchase of fixed assets	(339,000)	(419,000)
Purchase of investments	(5,698,000)	(1,235,000)
Maturities of investments	4,084,000	3,385,000
Increase (decrease) in interest receivable	(2,000)	25,000
Collection of officer loan	10,000	11,000
Net cash (used in) provided by investing activities	(1,945,000)	1,767,000
Cash flows from financing activities:		
Proceeds from term loan	1,000,000	--
Repayment of term loan	(164,000)	(188,000)
Repayment of line of credit	--	(137,000)
Proceeds from exercise of stock options	765,000	1,171,000
Proceeds from exercise of warrants	--	1,025,000
Net cash provided by financing activities	1,601,000	1,871,000
Net increase (decrease) in cash and cash equivalents	(579,000)	5,261,000
Cash and cash equivalents - beginning of period	3,758,000	3,179,000
Cash and cash equivalents - end of period	\$ 3,179,000	\$ 8,440,000

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