

March 1, 2007

I.D. Systems Reports Fourth Quarter and Full Year 2006 Financial Results

HACKENSACK, N.J., March 1 /PRNewswire-FirstCall/ -- I.D. Systems, Inc. (Nasdaq: IDSY), a leading provider of RFID-based wireless asset tracking and management solutions, today announced its unaudited financial results for the year ended December 31, 2006. Revenues increased 30.2% to a record \$24.7 million from \$19.0 million for 2005. The revenue growth was attributable primarily to increased sales of I.D. Systems' patented Wireless Asset Net(R) system, which utilizes radio frequency identification, or RFID, technology to control, track, monitor and analyze enterprise assets, such as industrial vehicles and equipment.

Adjusted net income for 2006 was \$1.4 million, or \$0.13 per basic share and \$0.11 per diluted share, compared to net income of \$851,000, or \$0.11 per basic share and \$0.09 per diluted share, for 2005. Adjusted net income was calculated by adjusting GAAP net income for the impact of stock-based compensation of \$3.0 million. Adjusted net income is considered non-GAAP financial information; a reconciliation of non-GAAP financial measures used in this press release to GAAP financial measures can be found in the Reconciliation of GAAP to Non-GAAP Financial Measures table included in this press release. GAAP net loss for the year ended December 31, 2006, was \$1.6 million, or \$.15 per basic and diluted share.

"We are pleased with our overall year-over-year revenue growth," said Jeffrey Jagid, I.D. Systems' chairman and chief executive officer, "but clearly we have even higher performance goals, including a more predictable quarter-to-quarter revenue stream from more diversified sources. To that end, our mission is to drive customer benefit from our unique wireless technology, facilitate customer adoption and expansion of our solutions, and open new applications and markets for our technology, while maintaining our technical leadership. We are taking active steps to realize these goals, including the strengthening of our sales and marketing organization, as announced on February 27, 2007, with the appointment of Peter Fausel, formerly of wireless mobile computing leader LXE, as I.D. Systems' new executive vice president of sales, marketing and customer support. With our outstanding human and technical resources and our strong, blue-chip customer base, we continue to be very positive about I.D. Systems' prospects for 2007 and beyond."

For the year ended December 31, 2006, cost of revenues was \$13.7 million, including \$35,000 attributable to stock-based compensation pursuant to the company's adoption of accounting rule SFAS 123(R), resulting in a gross profit margin of 44.6%.

Selling, general and administrative (SG&A) expenses for 2006 increased to \$12.9 million from \$7.1 million for 2005. The increase was attributable primarily to \$2.2 million of stock-based employee compensation, pursuant to the company's adoption of accounting rule SFAS 123(R), and to increased expenses related to the hiring of additional personnel to support continued company growth.

Research and development (R&D) expenditures for 2006 increased to \$2.6 million from \$1.6 million in 2005. The increase was attributable primarily to \$723,000 of stock-based compensation, pursuant to the company's adoption of accounting rule SFAS 123(R), and to increased engineering payroll expenses.

Interest income for 2006 increased to \$2.8 million from \$222,000 for 2005, as the company invested proceeds from its public stock offering of March, 2006.

As of December 31, 2006, I.D. Systems had \$70.4 million in cash, cash equivalents and marketable securities, and \$80.0 million of working capital, compared to \$7.6 million and \$13.9 million, respectively, as of December 31, 2005.

For the three-month period ended December 31, 2006, revenues were \$3.9 million, compared to \$6.0 million for the three months ended December 31, 2005. Adjusting for \$1.2 million in stock-based compensation expenses, adjusted net loss for the three months ended December 31, 2006, was \$1.4 million, or \$0.12 per basic and diluted share, compared to net income of \$433,000, or \$0.06 per basic share and \$0.05 per diluted share, for the same period a year ago. Adjusted net loss is considered non-GAAP financial information; a reconciliation of non-GAAP financial measures used in this press release to the GAAP financial measures can be found in the Reconciliation of GAAP to Non-GAAP Financial Measures table included in this press release. GAAP net loss for the three-month period was \$2.6 million, or \$.23 per basic and diluted share.

For the three months ended December 31, 2006, SG&A expenses were \$4.1 million, compared to \$2.2 million for

the same period in 2005. The increase was attributable primarily to increased payroll expenses and to \$740,000 of stock-based compensation pursuant to the company's adoption of accounting rule SFAS 123(R). R&D expenditures for the period were \$913,000, compared to \$490,000 for the three months ended December 31, 2005. The increase was attributable primarily to \$452,000 of stock-based compensation pursuant to the company's adoption of accounting rule SFAS 123(R). Interest income for the fourth quarter of 2006 increased to \$1.1 million from \$43,000 for the same period a year ago.

Highlights of 2006 for I.D. Systems included:

- * The addition of a number of new customers for the company's core application, the Wireless Asset Net(R) system, which controls, tracks and manages fleets of industrial vehicles, including Nissan North America, Inc. and Weyerhaeuser Company.
- * Expansion of business with many existing Wireless Asset Net(R) customers, including the U.S. Postal Service, where the system is now deployed at 65 facilities, Canadian Tire Retail, Ford Motor Company, Nissan, Target Corporation, Walgreen Co., and other leading retailers and manufacturers.
- * Launch of the I.D. Systems Users' Group Conference, at which representatives of some of the world's largest and most respected retailers, manufacturers and governmental agencies shared information on the current status and future directions of radio frequency identification-based asset tracking and monitoring applications.
- * Development of new alliances, applications and markets, including:
 - a marketing agreement with NACCO Materials Handling Group, Inc., the global manufacturer of Hyster(R) and Yale(R) brand lift trucks, to distribute and support the Wireless Asset Net(R) system through the Hyster(R) and Yale(R) dealer networks;
 - a cooperative effort with Linde Material Handling North America Corporation, a subsidiary of one of the world's largest lift truck makers, to facilitate an I.D. Systems sale to Weyerhaeuser;
 - a strategic agreement with C&D Technologies, Inc., a leading producer and marketer of electrical power storage and conversion systems, to develop and market a new wireless system for managing the batteries that power industrial trucks;
 - the award of a U.S. Postal Service contract to integrate automated material flow management capabilities into I.D. Systems' core wireless asset management system;
 - the development of a new application called OptiKan(TM) -- an optimized, wireless, electronic "kanban" system for automatically signaling material handling operators to achieve "just in time" production efficiencies;
 - the introduction of the Line Asset Communicator(TM) -- a component of the OptiKan(TM) system that triggers automatic, real-time task requests via radio frequency -- to augment I.D. Systems' Vehicle Asset Communicator(R) and Machine Asset Communicator(TM) products;
 - the continued development of I.D. Systems' automated vehicle rental and return system through a pilot program with a large U.S.-based car rental company -- a new customer for I.D. Systems in the rental fleet management market; and
 - further advances in I.D. Systems' proprietary technology, including a number of new patents issued and pending, and the testing and fielding of a new generation of hardware and software that optimizes the effectiveness of system communications in RFID-intensive environments, where EPC-compliant RFID tags and readers saturate the air with RF energy.
- * Enhancement of I.D. Systems' corporate presence, through:
 - inclusion of I.D. Systems' common stock in the Russell 3000(R) Index, which is widely used by investment managers and institutional investors for index funds and as investment benchmarks;
 - achievement of the #107 ranking on Deloitte's 2006 "Fast 500" list of the fastest-growing technology companies in North America -- up from

the #147 ranking in 2005 -- based on I.D. Systems' five-year revenue growth of 1,959 percent; and

- establishment of a European office in Dusseldorf, Germany. Alexander Glasmacher -- a graduate of Stanford University and INSEAD Fontainebleau Business School with more than 12 years of experience in the European wireless and RFID markets -- was hired to sell and support the company's products to meet growing international demand for wireless vehicle management solutions.

Investor Conference Call

I.D. Systems will hold a conference call for investors and analysts at 4:45 p.m. Eastern Standard Time on March 1, 2007. Jeffrey Jagid, chairman and CEO, Ned Mavrommatis, CFO, and Ken Ehrman, COO, will discuss the year's results and accomplishments. 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 I.D. Systems' web site at <http://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.

Non-GAAP Measures

To supplement its consolidated financial statements presented in accordance with GAAP, I.D. Systems has begun providing certain non-GAAP measures of financial performance. These non-GAAP measures include non-GAAP net income/loss and non-GAAP net income/loss per basic and diluted share. Reference to these non-GAAP measures should be considered in addition to results prepared under current accounting standards, but are not a substitute for, or superior to, GAAP results. These non-GAAP measures are provided to enhance investors' overall understanding of I.D. Systems' current financial performance and provide further information for comparative information due to the adoption of the new accounting standard SFAS 123R. Specifically, I.D. Systems believes the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses that may not be indicative of its core operating results and business outlook. In addition, I.D. Systems believes the non-GAAP measures that exclude stock-based compensation enhance the comparability of results against prior periods. Reconciliation to the nearest GAAP measure of all non-GAAP measures included in this press release can be found in the financial tables included in this press release.

About I.D. Systems

Based in Hackensack, NJ, I.D. Systems, Inc. is a leading provider of wireless solutions for managing and securing high-value enterprise assets. These assets include industrial vehicles, such as forklifts and airport ground support equipment, and rental vehicles. The Company's patented Wireless Asset Net system, which utilizes radio frequency identification, or RFID, technology, addresses the needs of organizations to control track, monitor and analyze their assets. For more information, visit <http://www.id-systems.com>.

About The Wireless Asset Net (R) System

I.D. Systems' Wireless Asset Net improves productivity in manufacturing and distribution environments by establishing accountability for use of equipment, ensuring equipment is in the proper place at the right time, streamlining work flow through automated messaging, and providing management with unique metrics on -- and controls over -- equipment utilization. The system also improves safety and security by restricting vehicle access to trained, authorized operators and providing electronic vehicle inspection checklists. In addition, the system reduces maintenance expenses by automatically uploading vehicle data, reporting problems identified on checklists in real time, scheduling maintenance according to actual vehicle usage rather than on a calendar basis, and helping management determine the optimal economic time to replace equipment.

Trademarks

I.D. Systems, Inc.(R), Line Asset Communicator(TM), Machine Asset Communicator(TM), OptiKan(TM), Vehicle Asset Communicator(R), and Wireless Asset Net(R) are registered or pending trademarks of I.D. Systems, Inc. Other trademarks used in this press release are registered trademarks of their respective owners.

"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, future economic and business conditions, the loss of any of the Company's key customers or reduction in the purchase of its products by any such customers, the failure of the market for the Company's products to continue

to develop, the inability to protect the Company's intellectual property, the inability to manage the Company's growth, the effects of competition from a wide variety of local, regional, national and other providers of wireless solutions and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including the Company's annual report on Form 10-K for the year ended December 31, 2005. These risks could cause actual results to differ materially from those expressed in any forward looking statements made by, or on behalf of, the Company. The Company assumes no obligation to update the information contained in this press release.

I.D. Systems, Inc.
Statements of Operations

	Year Ended December 31,		Quarter Ended December 31,	
	2005	2006	2005	2006
	(Unaudited)		(Unaudited)	
Revenue:				
Product	\$14,905,000	\$16,205,000	\$4,311,000	\$1,740,000
Service	4,099,000	8,535,000	1,720,000	2,173,000
	19,004,000	24,740,000	6,031,000	3,913,000
Cost of revenue:				
Product	7,816,000	8,229,000	2,197,000	984,000
Service	1,892,000	5,472,000	770,000	1,542,000
	9,708,000	13,701,000	2,967,000	2,526,000
Gross profit	9,296,000	11,039,000	3,064,000	1,387,000
Operating expenses:				
Selling, general and administrative expenses	7,140,000	12,943,000	2,212,000	4,123,000
Research and development expenses	1,625,000	2,639,000	490,000	913,000
	8,765,000	15,582,000	2,702,000	5,036,000
Income (loss) from operations	531,000	(4,543,000)	362,000	(3,649,000)
Interest income	222,000	2,801,000	43,000	1,061,000
Interest expense	(53,000)	(29,000)	(10,000)	(6,000)
Other income	151,000	155,000	38,000	40,000
Net income (loss)	\$851,000	\$(1,616,000)	\$433,000	\$(2,554,000)
Net income (loss) per share - basic	\$0.11	\$(0.15)	\$0.06	\$(0.23)
Net income (loss) per share - diluted	\$0.09	\$(0.15)	\$0.05	\$(0.23)
Weighted average common shares outstanding - basic	7,771,000	10,501,000	7,847,000	11,281,000
Weighted average common shares outstanding - diluted	9,332,000	10,501,000	9,600,000	11,281,000

I.D. Systems, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
(Unaudited)

	Twelve Months Ended December 31, 2006	Three Months Ended December 31, 2006
Net loss attributable to common stockholders	\$(1,616,000)	\$(2,554,000)

Stock-based compensation	2,975,000	1,192,000
Non-GAAP net income (loss)	\$1,359,000	\$(1,362,000)
Non-GAAP net income (loss) per share - basic	\$0.13	\$(0.12)
Non-GAAP net income (loss) per share - diluted	\$0.11	\$(0.12)

I.D. Systems, Inc.
Balance Sheets

	As of December 31,	
ASSETS	2005	2006 (Unaudited)
Current assets:		
Cash and cash equivalents	\$2,138,000	\$9,644,000
Marketable securities	5,463,000	60,716,000
Accounts receivable, net	6,068,000	5,101,000
Unbilled receivables	1,293,000	1,042,000
Inventory	2,952,000	6,430,000
Investment in sales type leases	34,000	--
Interest receivable	--	179,000
Officer loan	11,000	8,000
Prepaid expenses and other current assets	140,000	271,000
Total current assets	18,099,000	83,391,000
Fixed assets, net	1,159,000	1,394,000
Investment in sales type leases	433,000	--
Officer loan	8,000	--
Deferred contract costs	53,000	33,000
Other assets	88,000	87,000
	\$19,840,000	\$84,905,000
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$3,881,000	\$2,950,000
Current portion of long term debt	209,000	221,000
Deferred revenue	155,000	221,000
Total current liabilities	4,245,000	3,392,000
Long term debt	240,000	19,000
Deferred revenue	90,000	133,000
Deferred rent	99,000	77,000
	4,674,000	3,621,000
Commitments and Contingencies (Note J)		
STOCKHOLDERS' EQUITY		
Preferred stock; authorized 5,000,000 shares, \$0.01 par value; none issued		
Common stock; authorized 50,000,000 shares, \$0.01 par value; issued and outstanding 7,851,000 and 11,337,000 shares at December 31, 2005 and 2006, respectively	79,000	113,000
Additional paid-in capital	25,735,000	93,423,000
Accumulated deficit	(10,535,000)	(12,151,000)
Comprehensive income	--	12,000
	15,279,000	81,397,000
Treasury stock; 40,000 shares at cost	(113,000)	(113,000)
Total stockholders' equity	15,166,000	81,284,000
Total liabilities and stockholders' equity	\$19,840,000	\$84,905,000

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

	Year Ended December 31,		
	2004	2005	2006 (Unaudited)
Cash flows from operating activities:			

Net income (loss)	\$398,000	\$851,000	\$(1,616,000)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:			
Inventory reserve	--	105,000	100,000
Accrued interest income	119,000	42,000	(165,000)
Stock based compensation	--	--	2,975,000
Depreciation and amortization	255,000	362,000	468,000
Deferred rent expense	23,000	(13,000)	(22,000)
Deferred revenue	(88,000)	(41,000)	109,000
Bad debt expense	(12,000)	20,000	211,000
Deferred contract costs	199,000	423,000	20,000
Unrealized gain on investments	--	--	12,000
Changes in:			
Accounts receivable	784,000	(4,656,000)	756,000
Unbilled receivables	(402,000)	(891,000)	251,000
Inventory	(1,063,000)	(1,318,000)	(3,578,000)
Prepaid expenses and other assets	(87,000)	85,000	(130,000)
Investment in sales type leases	37,000	(394,000)	467,000
Accounts payable and accrued expenses	1,485,000	1,340,000	(931,000)
Net cash (used in) provided by operating activities	1,648,000	(4,085,000)	(1,073,000)
Cash flows from investing activities:			
Purchase of fixed assets	(419,000)	(512,000)	(703,000)
Purchase of investments			
	(1,235,000)	(5,963,000)	(68,481,000)
Maturities of investments	3,385,000	3,703,000	13,214,000
Collection of officer loan	11,000	11,000	11,000
Net cash provided by (used in) investing activities	1,742,000	(2,761,000)	(55,959,000)
Cash flows from financing activities:			
Repayment of term loan	(188,000)	(199,000)	(209,000)
Repayment of line of credit	(137,000)	--	--
Proceeds from exercise of stock options	1,171,000	743,000	786,000
Net proceeds from public offering	--	--	63,961,000
Proceeds from exercise of warrants	1,025,000	--	--
Net cash provided by financing activities	1,871,000	544,000	64,538,000
Net increase (decrease) in cash and cash equivalents	5,261,000	(6,302,000)	7,506,000
Cash and cash equivalents - beginning of period	3,179,000	8,440,000	2,138,000
Cash and cash equivalents - end of period	\$8,440,000	\$2,138,000	\$9,644,000
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	\$63,000	\$53,000	\$29,000

SOURCE I.D. Systems, Inc.