



500 Spruce Tree Centre
1600 University Avenue West
St. Paul, Minnesota 55104-3825 USA
651.603.7700 Fax: 651.603.7795
www.imagesensing.com

NEWS RELEASE

**Contacts: Craig A. Anderson, Vice President Marketing & Technical Services
Image Sensing Systems, Inc. Phone: 651.603.7700**

FOR IMMEDIATE RELEASE

Flow Traffic Limited Receives Large Orders in China for Autoscope Video Vehicle Detection Systems

Saint Paul, Minn., July 7, 2004--Image Sensing Systems, Inc. (ISS) (NASDAQ Small Cap: ISNS) announced today that its wholly-owned Asian subsidiary, Flow Traffic Limited, has received large orders for the supply of Autoscope[®] video vehicle detection systems to China. In June, 100 units of the Autoscope Solo Pro NC were delivered to China. This brings the total number of units supplied to China to 650 since Flow Traffic introduced the Autoscope product line in 1999. The majority of these 650 Autoscope units have been sold over the past 12-month period.

Projects that are to be installed in the near future include: the Lin-Chang Expressway Project in Hunan Province—funded by the World Bank, Suzhou Ringroad in Jiangxi Province, and support roads for the Shanghai Formula One Racing Course. To date, the largest Autoscope project in China is the vehicle detection system for the city of Harbin in the northeastern part of the country. Autoscope will process video from 134 cameras around the city center to provide traffic data to the local traffic police. The project is currently being installed and expected to be completed by the end of the year.

Johan Billow, Managing Director of Flow Traffic Ltd., commented, "Video vehicle detection has won widespread acceptance in the China market over the past twelve months and the potential of this market is huge and truly amazing. Not surprisingly, we are facing fierce competition from both international and domestic manufacturers but have managed to become the market leader. We are well positioned for continued growth in our China business in the years to come."

Headquartered in St. Paul, Minnesota, Image Sensing Systems, Inc. combines expertise in image processing, hardware and software engineering, and communications to develop video vehicle detection systems for traffic management and control applications. The Autoscope vehicle detection system is the world leader in video detection for advanced traffic management systems for highways, tunnel incident detection, intersection control, and traffic data collection. The Autoscope system provides traffic managers the means to reduce roadway congestion, improve roadway planning, and improve cost efficiencies.

Safe Harbor Statement: Statements made in this release concerning the Company's or management's intentions, expectations, or predictions about future results or events are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current expectations or beliefs, and are subject to risks and uncertainties that could cause actual results or events to vary from stated expectations, which variations could be material and adverse. Factors that could produce such a variation include, but are not limited to, the following: the inherent unreliability of earnings, revenue and cash flow predictions due to numerous factors, many of which are beyond the Company's control; developments in the demand for the Company's products and services; relationships with the Company's major customers and suppliers; unanticipated delays, costs and expenses inherent in the development and marketing of new products and services; the impact of governmental laws and regulations; and competitive factors. Our forward-looking statements speak only as of the time made, and we assume no obligation to publicly update any such statements. Additional information concerning these and other factors that could cause actual results and events to differ materially from the Company's current expectations are contained in the Company's Form 10-KSB for the year ended December 31, 2003.

###