

NEWS RELEASE

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Auto-Graphics, Inc. Announces Second Quarter Earnings

Pomona, CA: Auto-Graphics, Inc. (Pink Sheets: AUGR) reported that operating income was \$46,000 for the second quarter ended June 30, 2004, down from \$113,000 in 2003, due to a 7% decline in net sales and a 14% increase in selling, general and administrative expenses. This represents the tenth consecutive quarter the Company has delivered a positive operating income. Year-to-date operating income was \$112,000 in 2004, compared to \$238,000 in 2003, on a 14% decline in net sales for the same period.

The Company's net sales for the quarter were \$1,367,000 in 2004, down \$108,000 from \$1,475,000 in 2003. Year-to-date net sales were \$2,568,000 in 2004, down \$425,000 from \$2,993,000 in 2003. The decline was due primarily to lower revenues in the state of Texas, as funding was shifted by the legislature from the state to individual libraries. The Company believes that the transition of the Texas customers to the new billing approach will be completed in 2004. In early 2003, the Company significantly increased spending on sales and marketing staff and promotional expenses in an effort to increase sales and promote the Agent™ product line to existing consortia customers and individual libraries. To further address the new sales issue, the Company recently hired a new Chief Executive Officer with a strong sales and marketing background in ASP and software. Thus far in 2004, the Company has won major multi-year contract renewals with the Tennessee, Kansas and Connecticut state libraries.

Net income was \$32,000 in the second quarter of 2004, down from a net income of \$101,000 in 2003. Basic and diluted earnings per share were \$0.01 in 2004, compared to basic and diluted earnings per share of \$0.02 in 2003. Year-to-date net income was \$72,000 in 2004, down from \$202,000 in 2003. Basic and diluted earnings per share were \$0.01 in 2004, compared to basic and diluted earnings per share of \$0.04 in 2003.

Auto-Graphics provides applications software and Web hosting services to clients who create, manage, publish and access information using the Internet. Visit www.auto-graphics.com for additional information.

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