INPUT/OUTPUT, INC.

1999 ANNUAL REPORT

CORPORATE PROFILE

Input/Output is the energy industry's leading provider of seismic products, solutions and services that leverage information age technologies, enabling better, more cost-effective exploration and field development decisions.

The company's mission is to produce tools that assist seismic contractors and energy producers locate, characterize and image oil and gas reserves. I/O intends to continue delivering customer value through technology by developing light-weight seismic data acquisition equipment, enabling cost-effective multi-component (3-C) imaging and incorporating pre-processing and post-processing software capabilities into the data acquisition workflow.

Working together, I/O and its customers create value by delivering critical information-based innovations to energy producers worldwide.

Fiscal 1999 was a year of challenges and change for our company. An unprecedented decline in energy commodity prices and corresponding exploration activity levels adversely impacted demand for seismic surveys, weakening the financial position of our customers and forcing many seismic contractors to idle crews and equipment. With fewer opportunities to sell new seismic equipment, we have had to make some difficult decisions to effectively manage through the downturn. We believe these events have catalyzed our transition into a more efficient organization, better capable of delivering market-moving technologies to the worldwide energy industry.

WE BELIEVE THESE EVENTS HAVE CATALYZED OUR TRANSITION INTO A MORE EFFICIENT ORGANIZATION, BETTER CAPABLE OF DELIVERING MARKET-MOVING TECHNOLOGIES TO THE WORLDWIDE ENERGY INDUSTRY.

ENERGY INDUSTRY MARKET CONDITIONS

The first half of calendar 1999 (the third and fourth quarters of fiscal year 1999 for I/O) represented one of the most traumatic periods in the recent history of the energy industry. Many analysts have suggested that this period may ultimately be recognized as comparable or worse than the other recent "crisis periods" that occurred in 1986 and 1992.

Highlighting the crisis was the lowest sustained price for crude oil in history (after adjusting for inflation), leading to the lowest U.S. rig count since Baker Hughes Incorporated began tracking the data more than 50 years ago. Further adding to the disarray was the unprecedented and previously unthinkable consolidation among major oil companies and independents, which resulted in significant delays in spending decisions as the emerging entities focused on integration issues and redefining their strategies.

The impact of energy market "macro-factors" on the service sector has been equally dramatic. Virtually every energy service company implemented significant layoffs and essentially eliminated capital spending. As a result, capital equipment suppliers to the service providers saw their sales opportunities greatly diminish.

IMPACT ON SEISMIC SECTOR

One of the hardest hit sub-sectors of the energy service sector has been the geophysical group. In the mid-1990s, seismic acquisition companies grew significantly on the heels of oil companies' appetites for 3-D seismic data. As this occurred, capital markets opened up for the geophysical service sector and provided debt and equity to a group of companies that previously had only limited access to capital.

With their new-found capital, many of these companies expanded their equipment capacity two and three times, leading to our strong growth during this period. Simultaneously, the group began using a significant amount of capital to re-energize their seismic library programs ("spec" seismic), whereby seismic contractors would acquire data for their own

inventory in hopes of selling the data at higher margins to a group of customers over a period of time, as opposed to one customer immediately.

In late 1998 and early 1999, as demand for seismic data declined and the market pricing for "spec" seismic softened, many seismic contractors began experiencing significantly reduced operating cash flows. Accordingly, new equipment sales from our domestic customer base essentially ground to a halt. Simultaneously, many of our internationally based customers also experienced activity reductions, exacerbated by destabilized economic and currency conditions in markets such as the Former Soviet Union and Latin America.

WHAT IT MEANT TO I/O

By 1999, despite a seismic crew count that showed only nominal activity declines compared to rig count declines, the desire for new capital equipment purchases by our primary customer base deteriorated rapidly due to several factors. These included, among other things, (1) reduced oil company demand for new seismic data, (2) channel and crew overcapacity, (3) increased cash requirements by our customers to fund spec surveys, (4) decline in market pricing for proprietary seismic surveys, (5) lack of available capital for new equipment purchases, and (6) destabilized economies in developing markets.

Specifically, the impact of our industry's deterioration is reflected in the nearly 80 percent decline in our quarterly sales rate over a period of less than two years, and in the company's significant operating losses and write-downs experienced in the third and fourth quarters of fiscal year 1999. More telling is the fact that our quarterly revenue run rate declined throughout each quarter of fiscal year 1999. In fact, fourth quarter revenue of $18.8 million was the lowest since the first quarter of fiscal year 1994, when we recorded revenue of $16.9 million.

For fiscal year 1999, the company recorded revenue of $197.4 million and a net loss of $105.6 million, or $(2.17) per share — which includes pretax charges of $139.0 million, marking the first annual net loss since I/O went public in 1991. As an example of how rapidly market conditions declined, the $197.4 million in revenue was the lowest since fiscal year 1995 when the company recorded $134.7 million in revenue. However, in fiscal 1995 the company was in a growth position as gross margins were 47 percent and operating expenses were 23 percent of revenue. Financial comparisons like this are providing the catalyst for I/O to reconstitute itself for the current market environment.

THESE EVENTS HAVE RESULTED IN EFFORTS TO AGGRESSIVELY RESTRUCTURE AND ADJUST OUR COST STRUCTURE AND ASSET BASE TO MEET CURRENT AND EXPECTED MARKET CONDITIONS...

I/O'S RESPONSE

The aforementioned events have resulted in our efforts to aggressively restructure and adjust our cost structure and asset base to meet current and expected market conditions, while remaining committed to commercializing new technology that will address our customers' most critical value drivers.

In fiscal year 1999, we began taking steps toward lowering our costs by closing/consolidating four facilities worldwide and reducing our workforce. Since

August 1998, when we reached a peak of 1,435 total full-time employees, we will have reduced our workforce to approximately 800 full-time employees by the end of August 1999, a reduction of 44 percent.

We also consolidated our product offering by eliminating obsolete products and ancillary parts due to reduced customer demand for these older generation products, and as a result of planned product revisions. This streamlining has allowed us to allocate capital and human resources toward developing new, higher value products instead of supporting increasingly obsolete ones.

Next, to solidify our balance sheet in a time of significant uncertainty, and to continue our development efforts, we successfully completed a private placement of $40 million of convertible preferred stock to SCF Partners. At fiscal year end, our cash reserves were $75 million and we were essentially debt free, yielding a conservative capital structure to counter the market uncertainty.

AT FISCAL YEAR END, OUR CASH RESERVES WERE $75 MILLION AND WE WERE ESSENTIALLY DEBT FREE, YIELDING A CONSERVATIVE CAPITAL STRUCTURE...

Lastly, late in fiscal year 1999, we began the implementation of our Land and Marine Division structure. To compete successfully in an uncertain and fluctuating market, we must be more responsive to the demands of our customers, more flexible to change as the market dictates, and increasingly efficient so we can create incremental value for shareholders. This should be accomplished through the division structure and the consolidation of our product portfolio into two distinct market segments, giving us a more focused approach in serving customers in distinct markets.

During the past four years, the company has made great strides in offering products and support to marine customers. Our November 1998 acquisition of DigiCourse, Inc. — the seismic industry's leading designer and manufacturer of marine positioning systems — provided the critical mass necessary to enable us to structure the company into distinct divisions by further expanding our marine product portfolio and adding a leadership team with a strong reputation among marine seismic contractors. This allowed us to intensify our commitment to the marine seismic business and strengthen our customer service capabilities in this area.

The division structure should benefit customers in both the land and marine markets by providing separate lines of responsibility and accountability for understanding customer needs and increasing customer value.

Each division operates as its own business unit, with separate sales, customer service and product development teams. This approach allows us to address the specific needs of our diversified customer base, while leveraging our centralized administrative support and common technology platform and research expenditures.

COMMERCIALIZING "INFORMATION AGE SEISMIC" TECHNOLOGY

I/O has a longstanding tradition of delivering the best seismic image value through technology, products and innovative solutions. Despite difficult industry conditions, our intention is to continue that

tradition by bringing to market new products and solutions that incorporate information age tools. Our "Information Age Seismic" product development portfolio consists of digital data recording instrumentation, telecommunications tools and knowledgeware applications.

Through Information Age Seismic, our goal is to provide enduring value to our customers by reducing their costs of acquiring seismic data, shortening the seismic workflow, improving image quality and permitting new measurement of critical parameters, providing more value through better imaging. The pages following this letter describe some of the new technologies currently in development, and how these technologies will address our customers' critical value propositions.

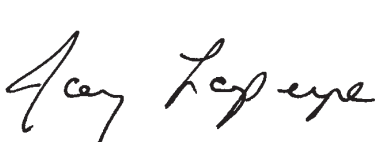
MANAGEMENT'S FOCUS: BUILDING ON I/O'S HERITAGE

Your new management team recognizes that I/O was built upon creating value for the energy industry by employing leading-edge technologies in its seismic instrumentation. In fact, the company's successes are in large part due to its leadership role in commercializing 3-D seismic imaging. But just as 3-D seismic imaging replaced 2-D, new tools and technologies are emerging to enhance 3-D images, and we want to be a leader at commercializing those new tools and technologies. In taking that path, we will work with our customers through their current installed base as we believe this will speed market acceptance of new seismic instrumentation when demand returns.

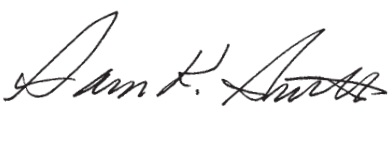
THE MARKETPLACE HAS CHANGED, AND WE ALSO MUST CHANGE IN ORDER TO CREATE VALUE WITH THE NEXT GENERATION OF SEISMIC TECHNOLOGY.

Value creation and technology leadership are still the fundamental premises that drive I/O today. We are focused on defining the best ways to create value for customers in a changing market and distributing that value to shareholders by establishing a more conservative cost structure, executing on business processes and delivering new technology.

The marketplace has changed, and we also must change in order to create value with the next generation of seismic technology. We understand the challenge ahead of us is substantial. But we also know the opportunity is even greater.



James M. (Jay) Lapeyre, Jr.
Chairman of the Board



Sam K. Smith
Chief Executive Officer

Axel M. Sigmar
President and Chief Operating Officer

SEISMIC TECHNOLOGY EVOLUTION: HISTORY AND POTENTIAL

	2-D SEISMIC	LIMITED 3-D SEISMIC	EXPANDED 3-D SEISMIC	3-C/4-C SEISMIC	4-D SEISMIC
APPROXIMATE TIME PERIOD	Pre 1986	1986-1993	1994-1999	2000-	????
BENEFIT TO OIL AND GAS PRODUCERS	Linear sub-surface profiling to identify structural variations.	3-D structural & stratigraphic imaging.	Higher resolution for reservoir characterization. Lower cost per data unit acquired.	Enhanced stratigraphic imaging. Faster recovery of higher percentage of oil. Mapping porosity & permeability. Direct detection of hydrocarbon.	Permanent instrumentation for cost-effective time lapse imaging. Optimal well placement & production. Production history mapping. Measuring pressure, temperature & flow.
CRITICAL TECHNOLOGY ENABLERS — COMPUTER TECHNOLOGY	Character-based operating system. Scalar supercomputers.	Workstations. Vector supercomputers. Tape drive & recording media improvements.	Graphical user interface operating system. Parallel processing. Increased bandwidth from fiber optics.	Workflow-driven user interface. Desktop parallel supercomputing workstations. Increased bandwidth.	Multi-disciplinary, workflow-driven imaging methodology, integrating rock & fluid properties.
CRITICAL TECHNOLOGY ENABLERS — HARDWARE	Instantaneous floating point and 16-bit analog to digital converters. Programmable microcontrollers.	Digital signal processing. Programmable gate arrays.	Sigma-Delta (24-bits). Digital application specific integrated circuits.	Direct to digital sensors & full custom mixed signal integrated circuits.	Increasing custom integration of circuits for lower power, higher reliability, longer life at elevated temperatures.
CHANNEL COUNT	< 240	1000 16-bit	2400 24-bit	4000 x 3 VectorSeis™	Permanent 3-C VectorSeis™

TRACES/KM² AND CHANNELS/CREW

$/KM²

I/O PLATFORM FOR THE FUTURE

	DIGITAL	TELECOMMUNICATIONS	KNOWLEDGEWARE
TECHNOLOGY	Micro-machined digital sensor	Telepresence	Modern, modular software architecture
INITIATIVE	Initially, land-based (3-C) multi-component recording system. Later, marine applications (4-C).	Real-time access between field operations & central operations control center.	Manage field acquisition logistics & seismic workflow at much higher station capacities.
POTENTIAL BENEFIT TO OIL AND GAS PRODUCERS	Cost-effective, improved 3-C image quality, lighter in weight, consumes less power. Lower field labor costs.	Rapid access to & exchange of information & data. Leverage expertise of fewer key operations/geophysical personnel remaining in the industry. Reduced health, safety, & environmental risks & costs.	Better survey design enhances crew productivity utilizing more flexible & reliable equipment. Significantly reduce costs, data, & turnaround time.

Digital technology made the information age a reality. The rapid and cost-effective gathering and transmission of data has enabled the collection of larger and more meaningful sets of information. I/O intends to bring this technology to oil and gas exploration and reservoir management through its VectorSeis™ digital sensor.

The core of the VectorSeis™ digital sensor will be a highly sensitive micro-machined accelerometer that detects seismic energy and a custom, mixed-signal integrated circuit that produces a direct digital response. The VectorSeis™ digital sensor will utilize three micro-machined accelerometers placed perpendicularly to record full vector elastic wave field seismic response.

Traditional seismic acquisition methods record only one component of seismic energy wave, the compression wave. The full vector response of the VectorSeis™ digital sensor is intended to measure the complete seismic wave field, including seismic shear waves.

Geophysicists can use compression and shear wave information to create better structural images of difficult prospects and to infer physical properties of rock structures, such as fracture density and orientation, rock porosity, and oil or gas saturation. The potential imaging performance and acquisition cost benefits of the VectorSeis™ digital sensor could enable an industry-wide adoption of multi-component recording similar to the energy industry's transformation from 2-D to 3-D recording in the early 1990s.

The VectorSeis™ digital sensor could represent a major advance in seismic acquisition technology because the sensor's improved fidelity and full vector wave field response will yield more accurate and complete subsurface images. Reduced equipment size, weight and power consumption of the VectorSeis™ digital sensor relative to conventional technology could allow seismic crews to operate in a more cost-effective manner.

The VectorSeis™ digital sensor design gives it several advantages and performance benefits over a traditional analog sensor, including the elimination of external electrical interference. The VectorSeis™ digital sensor's accelerometer is capable of measuring low frequency seismic energy that geophones cannot detect. The harmonic distortion of the sensor is up to 1,000 times less than conventional sensors.

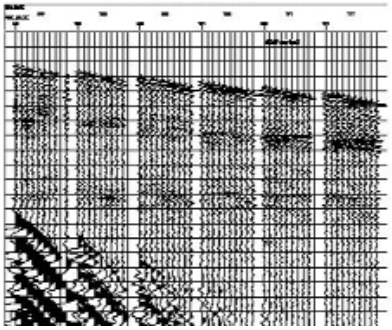
Unlike conventional sensors, the VectorSeis™ digital sensor will operate in any orientation and measures its own vertical orientation. This is intended to eliminate complex and expensive mechanical gimbles or time consuming leveling during in-field placement.

The sensor's accelerometer is produced in I/O's high capacity micro-machining fabrication facility. The micro-machining process offers high volume, low cost production of highly miniaturized products.

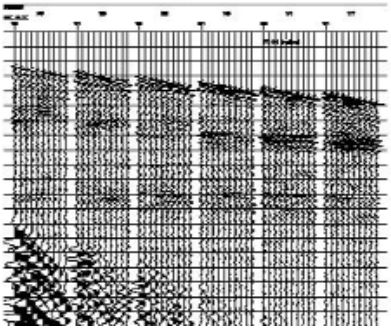
With improved sensor fidelity, full vector wave field measurement, and reduced equipment size, weight and power, I/O anticipates that the VectorSeis™ digital sensor will be capable of delivering a cost-effective solution to recording more accurate and complete seismic images.

Early field tests indicate data recorded with the VectorSeis™ digital sensor (left) is much clearer at lower frequencies than data recorded with conventional geophones.

VECTORSEIS™ DIGITAL SENSOR



GEOPHONE



Communicating with anyone, anywhere in real-time is a hallmark of the information age. The availability of high bandwidth communication channels has made this possible, and opened the door to telepresence — the ability to interact with people and systems at remote locations worldwide.

I/O is introducing telecommunications applications to the seismic industry that will combine telepresence with the company's new central electronics system — I/O SYSTEM 2000™— to permit real-time remote crew operations, data access, resource management, troubleshooting and training. I/O's telecommunications applications are intended to reduce customer operating costs, enhance their operational efficiency and reduce revenue cycle time for seismic contractors and energy producers.

From a central "command center," experienced personnel will have at their fingertips the same I/O SYSTEM 2000™ computer screens and controls as the remote field operator. Thus, multiple crews could be managed and supported from one central location. Such interaction accelerates troubleshooting and debugging, training, and data interpretation.

As with most modern technology, I/O acquisition systems are complex in structure, and learning subtle aspects of operation can take time. Before operators go into the field they can use a telepresence link to observe how an experienced operator is using the system in a real operational environment. Such telepresence links will be blended with classroom learning and simulator sessions to provide "real" hands-on experience.

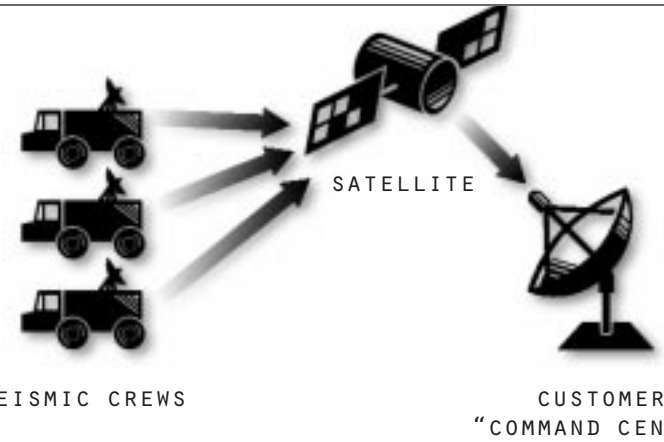
In addition to linking remote field operators with centrally located technical personnel, telepresence will provide senior management with real-time status of operations and provide central data processing personnel with an information link to address processing and interpretation issues.

In controlling complex 4-D systems used for reservoir management, telepresence will permit selective data visibility, remote scheduling, reconfiguration of acquisition parameters, and routine data exchange.

Real-time seismic survey design, project management and quality control allow for faster decision making, reducing downtime critical to completing a seismic survey on schedule. Immediate access to seismic data and quality control information can eliminate challenges associated with survey design and data recording, ultimately enhancing image quality and ensuring both the seismic contractor and end user (energy producer) that their exploration dollars are creating value.

Health, safety and environmental issues are a key concern in any seismic survey. With I/O's telecommunications tools, seismic contractors may provide their field personnel support in these areas through video, telephone, wireless phone, electronic mail and internet communication. These communication channels could help reduce risks and costs associated with working in harsh environments.

Through telepresence, multiple crews can be managed and supported from one central command center.



In the information age, data management tools assist users in compiling, understanding and managing enormous volumes of information. I/O offers its own data management tools — known as knowledgeware — which are aimed at shortening the seismic workflow through better survey design and planning, quality control and other acquisition management activities.

Staffing a seismic survey to ensure equipment can be serviced and moved is not only a logistics challenge, but also a significant cost for seismic contractors. The choreography associated with these logistics can be dramatically improved through increased software functionality.

I/O incorporates within the seismic workflow, software that it believes can design better surveys, manage the workflow, integrate positioning data and assure the quality of the data in a database that facilitates ease of processing and interpretation.

Primary benefits from I/O's knowledgeware applications will include reliable deployment of equipment to optimize higher channel counts, enhance crew productivity and improve image quality.

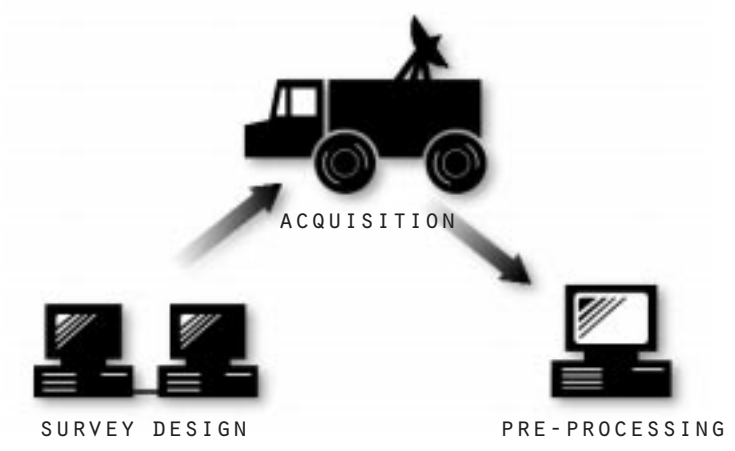
As other technological advances — such as the VectorSeis™ digital sensor — dramatically increase the number of channels deployed per survey, an improved operator interface ensures that I/O systems are reliably positioned. In addition, a true network management system for high channel count systems will greatly improve the operator's ability to manage the equipment and crew associated with a large survey.

The integration of I/O SYSTEM 2000™ with knowledgeware tools such as survey design and planning, quality control and pre-processing software will bring an information-rich solution to the process of seismic data acquisition. An intuitive user interface will increase productivity as equipment control, survey scheduling and acquisition management activities become easier to manage.

Equally as important as effective equipment positioning is reliable data recording. A real-time data acquisition system will be enhanced by I/O's knowledgeware applications to effectively record the increased channel count. Additional tools that verify the quality of the positioning data can verify source and receiver locations. Those real-time data collection enhancements and data quality checking tools will help to ensure that a high quality image results from the data collected.

Through increased software functionality, I/O strives to shorten the seismic workflow by linking seismic interpreters, processors and reservoir engineers to the seismic data acquisition team. As asset teams become more cohesive workgroups with network-based applications and high-speed data communication links, I/O expects that its information age seismic technology can significantly expand the company's customer base through applications centered on workflow management and seismic monitoring.

By shortening the seismic workflow – from survey design to pre-processing – I/O will help reduce revenue cycle time for seismic contractors and energy producers.



SELECTED FINANCIAL DATA

Year Ended May 31, (IN THOUSANDS, EXCEPT PER SHARE DATA)	1999	1998	1997	1996	1995
STATEMENT OF OPERATIONS DATA:					
Net sales	**$197,415**	$ 385,861	$ 281,845	$ 278,283	$ 134,698
Cost of sales	**205,215**	226,514	183,438	163,811	71,440
Gross profit (loss) (1)	**(7,800)**	159,347	98,407	114,472	63,258
Operating expenses:					
Research and development (2)	**42,782**	32,957	22,967	23,243	11,400
Marketing and sales	**14,193**	14,646	13,288	12,027	6,789
General and administrative (3)	**80,932**	28,295	36,186	19,096	11,817
Amortization of intangibles (4)	**16,247**	6,008	4,551	4,305	1,331
Total operating expenses	**154,154**	81,906	76,992	58,671	31,337
Earnings (loss) from operations	**(161,954)**	77,441	21,415	55,801	31,921
Interest expense	**(897)**	(1,081)	(793)	(2,515)	(30)
Other income	**7,611**	7,315	3,675	3,091	3,944
Earnings (loss) before income taxes	**(155,240)**	83,675	24,297	56,377	35,835
Income tax (benefit) expense	**(49,677)**	26,776	7,700	17,700	11,335
Net earnings (loss)	**($105,563)**	$ 56,899	$ 16,597	$ 38,677	$ 24,500
Basic earnings (loss) per common share	**$ (2.17)**	$ 1.29	$ 0.38	$ 0.98	$ 0.68
Weighted average number of common shares outstanding	**48,540**	43,962	43,181	39,631	36,043
Diluted earnings (loss) per common share	**$ (2.17)**	$ 1.28	$ 0.38	$ 0.95	$ 0.66
Weighted average number of diluted common shares outstanding	**48,540**	44,430	43,820	40,609	36,928
BALANCE SHEET DATA (END OF YEAR):					
Working capital	**$213,612**	$ 245,870	$ 170,427	$ 165,225	$ 104,908
Total assets	**451,748**	493,016	384,658	355,465	165,487
Short-term debt, including current installments of long-term debt (5)	**1,067**	986	912	—	—
Long-term debt (5)	**8,947**	10,011	11,000	—	—
Stockholders' equity (6)	**396,974**	415,700	338,614	317,204	146,712
OTHER DATA:					
Capital expenditures	**$ 9,326**	$ 6,960	$ 26,966	$ 10,240	$ 5,979
Depreciation and amortization	**20,776**	16,816	12,558	10,152	3,570

1. Fiscal year 1999 includes charges of $77.0 million. See Note 15 of Notes to Consolidated Financial Statements in the accompanying Form 10-K for further information with respect to the Company's charges.
2. Fiscal year 1999 includes charges of $1.1 million. See Note 15 of Notes to Consolidated Financial Statements in the accompanying Form 10-K for information with respect to the Company's charges.
3. Fiscal year 1999 includes charges of $53.2 million and fiscal year 1997 includes charges of $15.6 million. See Notes 15 and 16 of Notes to Consolidated Financial Statements in the accompanying Form 10-K for information with respect to the Company's charges.
4. Fiscal year 1999 includes charges of $7.7 million. See Note 15 of Notes to Consolidated Financial Statements in the accompanying Form 10-K for information with respect to the Company's charges.
5. See Notes 6 and 17 of Notes to Consolidated Financial Statements in the accompanying Form 10-K for information with respect to the Company's indebtedness and certain contingent obligations.
6. See Note 7 of Notes to Consolidated Financial Statements in the accompanying Form 10-K for information with respect to the Company's changes in capital structure.

As of June 30, 1999, there were 40,000 shares of Series B Convertible Preferred Stock issued with a stated conversion price of $8.00 per share. On August 3, 1999, SCF-IV, L.P. notified the Company of its intent to exercise its option to purchase an additional 15,000 shares of Series C Convertible Preferred Stock, which will have substantially the same terms as the Series B Convertible Preferred Stock except that the stated conversion price for the Series C Convertible Preferred Stock will be $8.50 per share. See Notes 7 and 18 of Notes to Consolidated Financial Statements in the accompanying Form 10-K for further information.

SHAREHOLDER INFORMATION

DIRECTORS

James M. (Jay) Lapeyre, Jr.
Chairman of the Board

Sam K. Smith
Chief Executive Officer

Axel M. Sigmar
President and Chief Operating Officer

David C. Baldwin
Managing Director, SCF Partners

Robert P. Brindley
Executive Vice President – Business Development and Secretary

Ernest E. Cook
Independent Oil and Gas Consultant

Theodore H. Elliott, Jr.
Chairman, Prime Capital Management Company, Inc.

G. Thomas Graves, III
President, Gralee Capital Corporation

William F. Wallace
Consultant, The Beacon Group

EXECUTIVE OFFICERS

Sam K. Smith
Chief Executive Officer

Axel M. Sigmar
President and Chief Operating Officer

David C. Baldwin
Vice President and Chief Financial Officer

Robert P. Brindley
Executive Vice President – Business Development and Secretary

Thomas A. Connolly
Vice President – Manufacturing

Roy Kelm
Vice President – Marine Division

Rex K. Reavis
Vice President – Land Division

Bruce A. Reichert
Vice President – Engineering

INVESTOR RELATIONS BY TELEPHONE, E-MAIL OR WEBSITE

Shareholders, securities analysts, portfolio managers or brokers seeking information about the company are welcome to call the Investor Relations Department at (281) 933-3339. If you prefer, you may send your inquiries over the internet to Investor Relations' e-mail address: ir@i-o.com. Input/Output's home page is located at: http://www.i-o.com. Recent news releases, financial information and SEC filings can be downloaded from the company's web site.

COMMON STOCK

The company's common stock trades on the New York Stock Exchange (NYSE) under the symbol "IO". Prior to November 14, 1994, the company's common stock was traded on the National Association of Securities Dealers Automated Quotation System (NASDAQ) under the symbol "IPOP". The following table sets forth the high and low last reported sales prices of the common stock for the periods indicated, as reported on the NYSE composite tape.

	Price Range	
Period	High	Low
Fiscal 1999		
Fourth Quarter	$ 8 9/16	$ 5 5/16
Third Quarter	7 15/16	5 1/16
Second Quarter	11	6 3/16
First Quarter	21 11/16	9 3/8
Fiscal 1998		
Fourth Quarter	$ 25 15/16	$21 1/16
Third Quarter	31 1/8	17 1/4
Second Quarter	32 15/16	21 3/8
First Quarter	23 7/16	16 7/16

Input/Output historically has not paid, and does not intend to pay in the foreseeable future, cash dividends on its common stock. The company presently intends to retain earnings for use in its business, with any future decision to pay cash dividends on common stock dependent upon its growth, profitability, financial condition and other factors the Board of Directors may deem relevant.

ANNUAL REPORT ON FORM 10-K

Input/Output's Annual Report on Form 10-K for the fiscal year ended May 31, 1999, although furnished as an integral part of this Annual Report to Shareholders, is also available upon request without charge. Please direct your request to: Input/Output, Inc., Attn: Investor Relations Department, 11104 West Airport Blvd., Stafford, Texas 77477-3626.

ANNUAL MEETING

The Annual Meeting of Stockholders of Input/Output, Inc., will be held at the Stafford Civic Center, 1415 Constitution Avenue, Stafford, Texas, 77477 at 10:00 a.m. CDT on Monday, September 27, 1999.

CORPORATE HEADQUARTERS

Input/Output, Inc.
11104 West Airport Blvd.
Stafford, Texas 77477-3626
Telephone: (281) 933-3339

STOCK TRANSFER AGENT

Harris Trust and Savings Bank
700 Louisiana, Suite 3350
Houston, Texas 77002-2729
Telephone: (713) 546-9705

INDEPENDENT AUDITORS

KPMG LLP
Houston, Texas

STATEMENT FOR PURPOSES OF FORWARD LOOKING STATEMENTS

Forward-looking statements contained in this Annual Report to Shareholders concerning expected results and increases in value from new technologies, future benefits for shareholders, customers and employees resulting from the company's initiatives underway and future technological leadership in the company's industry are made under the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from anticipated results. These risks and uncertainties include the chance that the processes and procedures implemented do not produce the desired results due to lack of commercial acceptance, commercial feasibility issues, failures of the technology to perform as expected, management issues or competitive pressures, and the other risks detailed from Item 7. – "Management's Discussion and Analysis of Results of Operations and Financial Condition – Cautionary Statement for Purposes of Forward-Looking Statements" of the company's Report on Form 10-K for its fiscal year ended May 31, 1999, which accompanies and constitutes an integral part of this Annual Report to Shareholders. The accompanying Form 10-K of Input/Output, Inc. for its fiscal year ended May 31, 1999, as filed with the Securities and Exchange Commission, is incorporated by reference into and constitutes an integral part of this Annual Report.

INPUT/OUTPUT, INC.
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