



→ Charged to innovate. Driven to solve.™

# ION Earnings Call – Q2 2012

Earnings Call Presentation

August 8, 2012

# Earnings Call Introduction

## Corporate Participants & Contact Information

---



**BRIAN HANSON**  
Chief Executive Officer



**GREG HEINLEIN**  
Chief Financial Officer

### CONTACT INFORMATION

If you have technical problems during the call, please contact DRG&L at 713 529 6600.

If you would like to listen to a replay of today's call, it will be available via webcast in the Investor Relations section of the Company's website - [www.iongeo.com](http://www.iongeo.com) for approximately 12 months.

# Earnings Call Introduction

---

## FORWARD-LOOKING STATEMENTS

*The information included herein contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.*

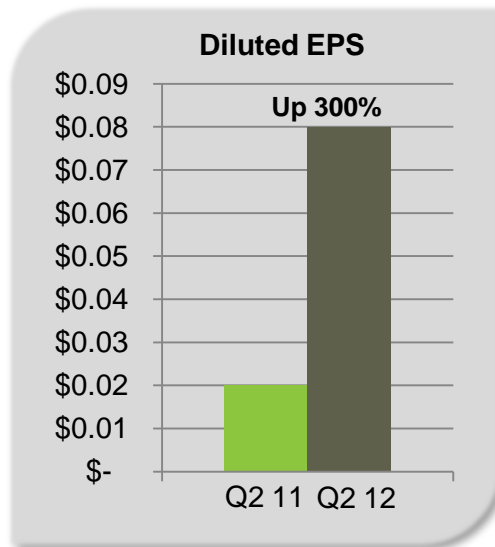
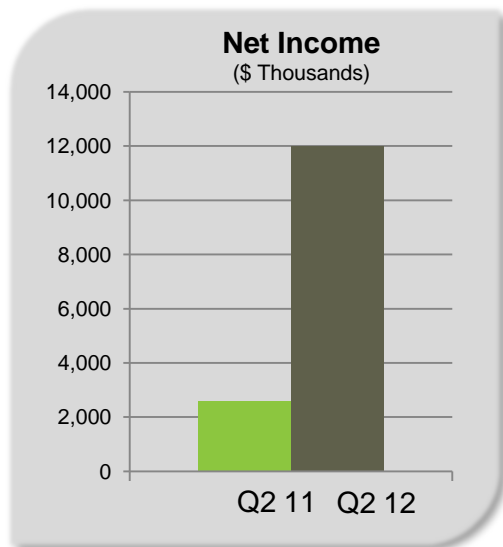
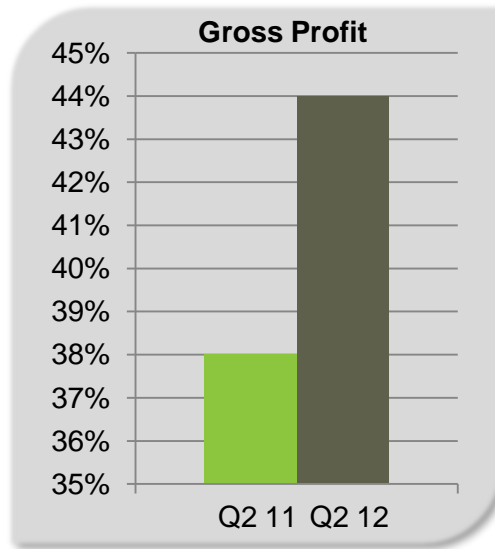
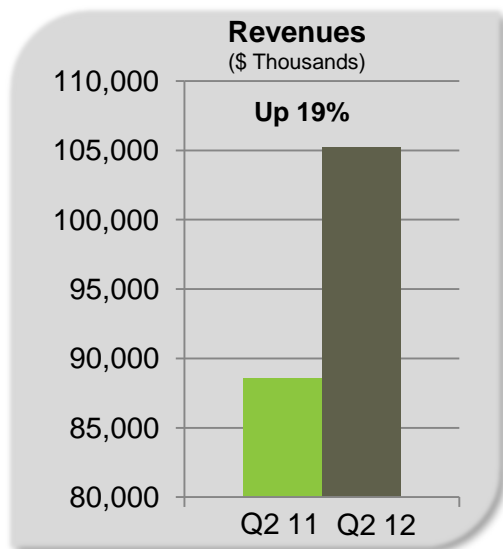
*Actual results may vary fundamentally from those described in these forward-looking statements.*

*All forward-looking statements reflect numerous assumptions and involve a number of risks and uncertainties.*

*These risks and uncertainties include risk factors that are disclosed by ION from time to time in its filings with the Securities and Exchange Commission.*

# ION Q2 2012 Highlights

Continued Momentum – Solid Q2

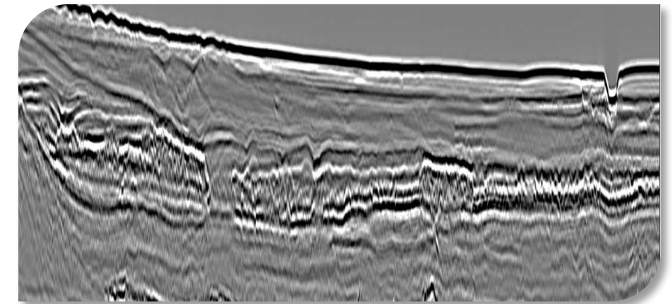


- Strong revenue growth
- Good gross margins
- EPS up 300%

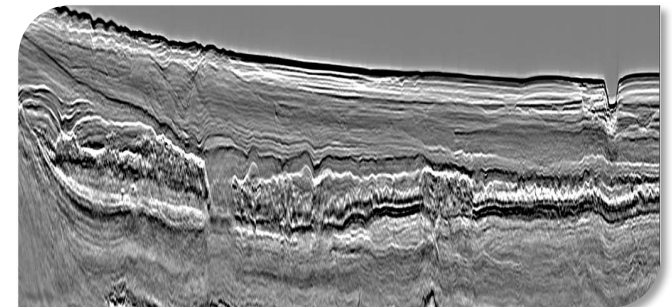
# Market Observations

## International Data Processing Picking Up

- Fifth sequential quarterly improvement in ION DP revenues
- International demand up -- Europe, Africa, Middle East
- Continued rebalancing of our portfolio beyond Gulf of Mexico
- Ended Q2 with record data processing backlog
- Introduced new broadband processing technology, **WiBand™**, with 20+ projects underway



Conventional Image



WiBand Image

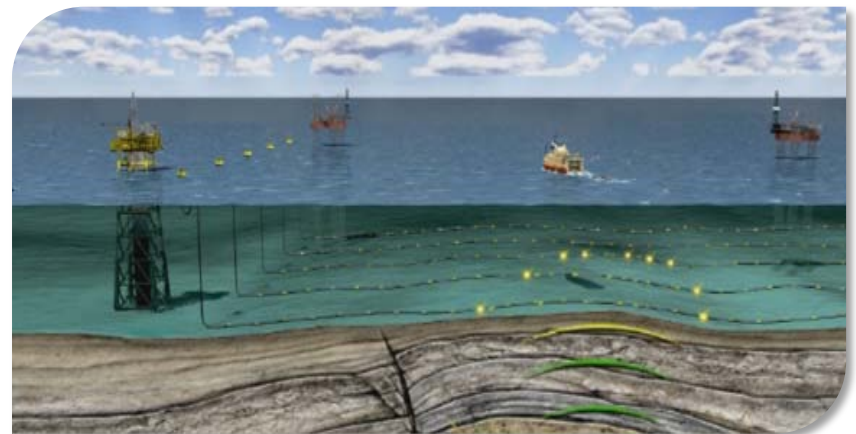
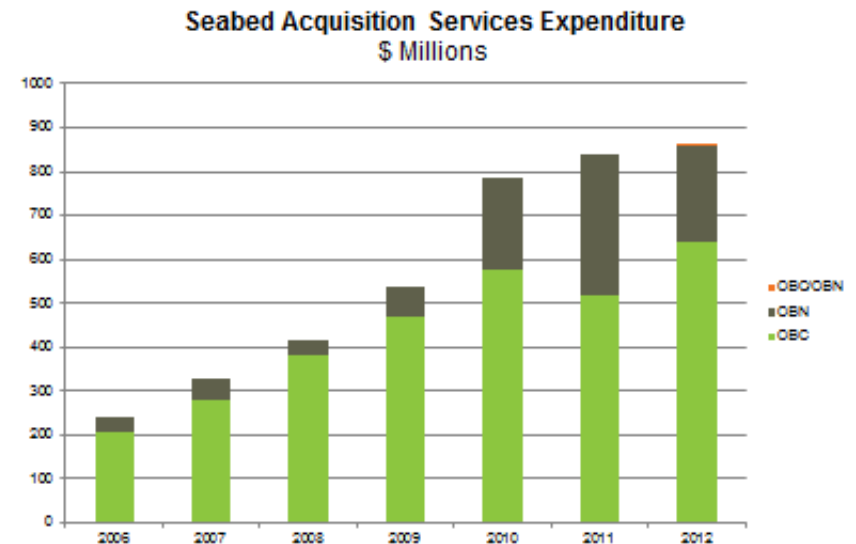


WiBand Projects

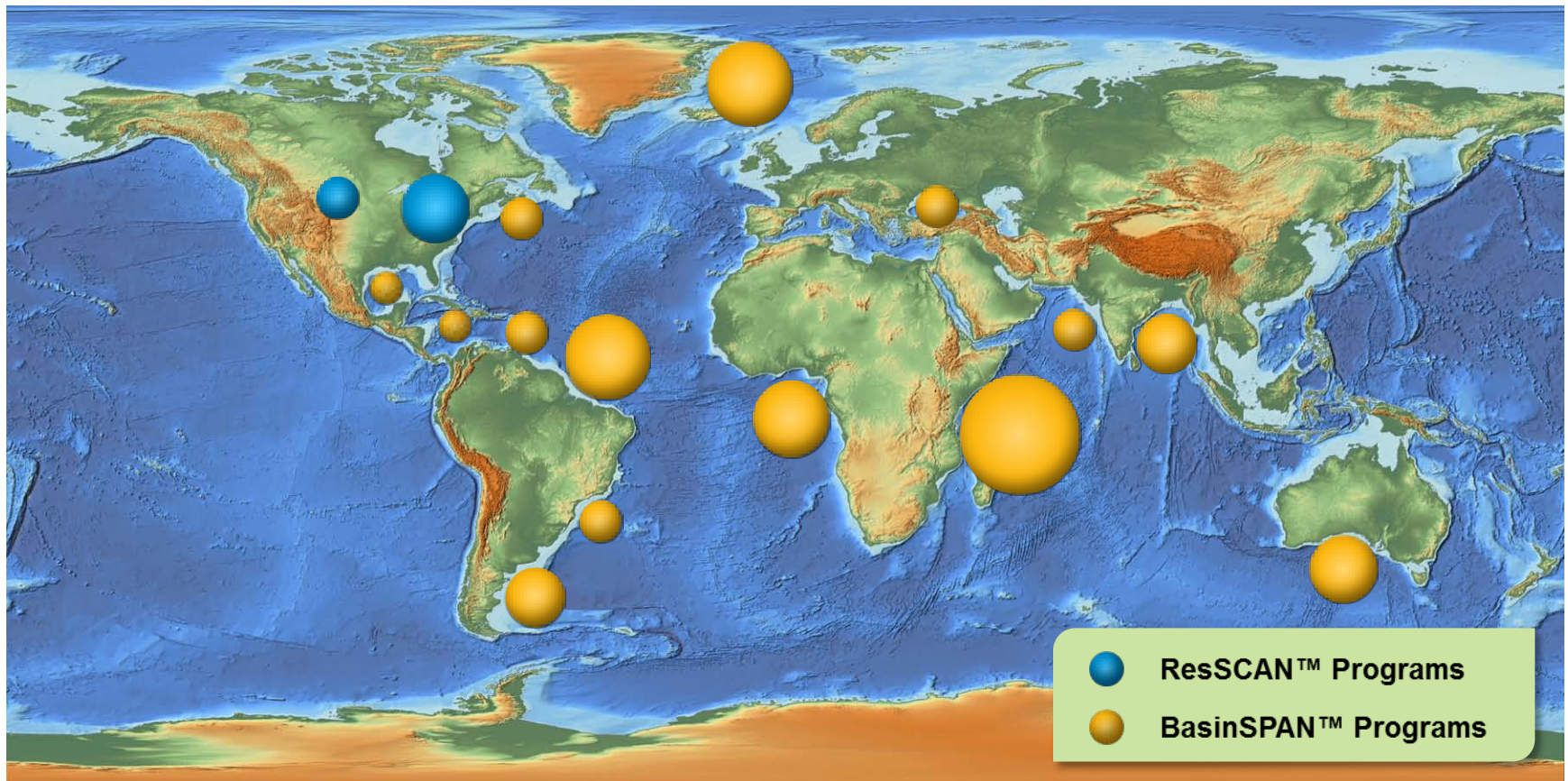
# Market Observations

## Continued Growth in Marine Seismic Activity

- Towed Streamer market tightening
- Good growth in Seabed market
- Launched Calypso™ seabed acquisition system in Q2 at EAGE
- Growing demand for ION's Acquisition Optimization Services







Solid performance -- revenues, operating profits, margins.  
Ended Q2 with record backlog.  
Continued rise in international exploration – Africa, Latin America, Australia  
and the Arctic.

# Summary

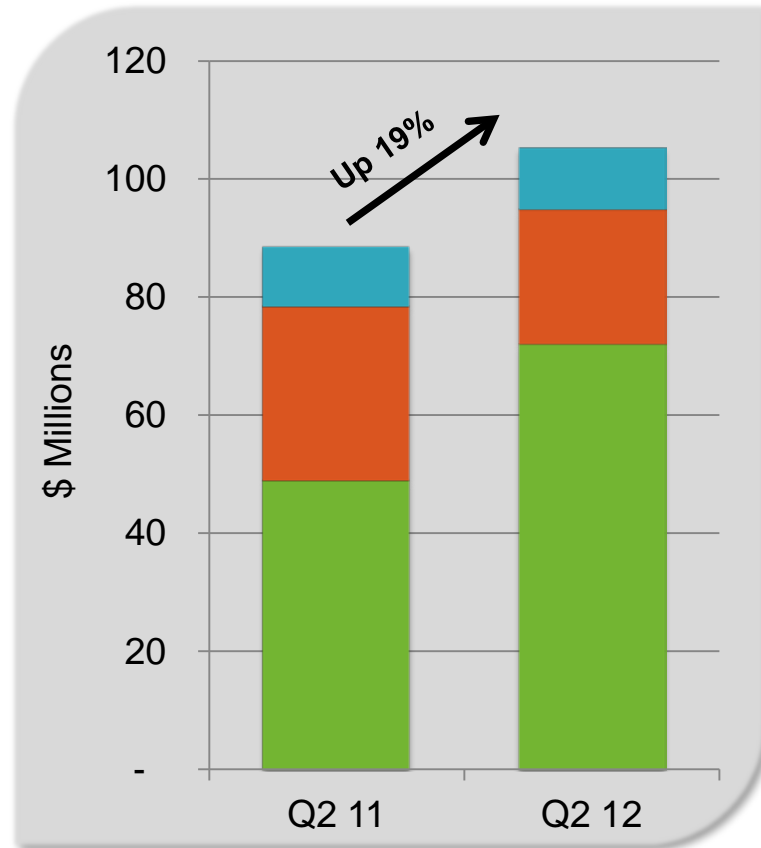
- Industry remains robust
- International activity is strong
- Well positioned to grow
- Remain confident in our ability to deliver against plan





# Financial Overview

## Revenues by Segment



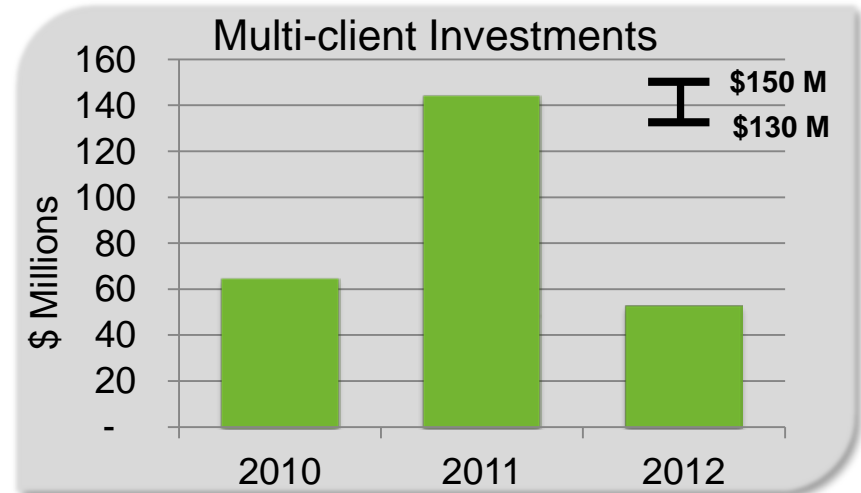
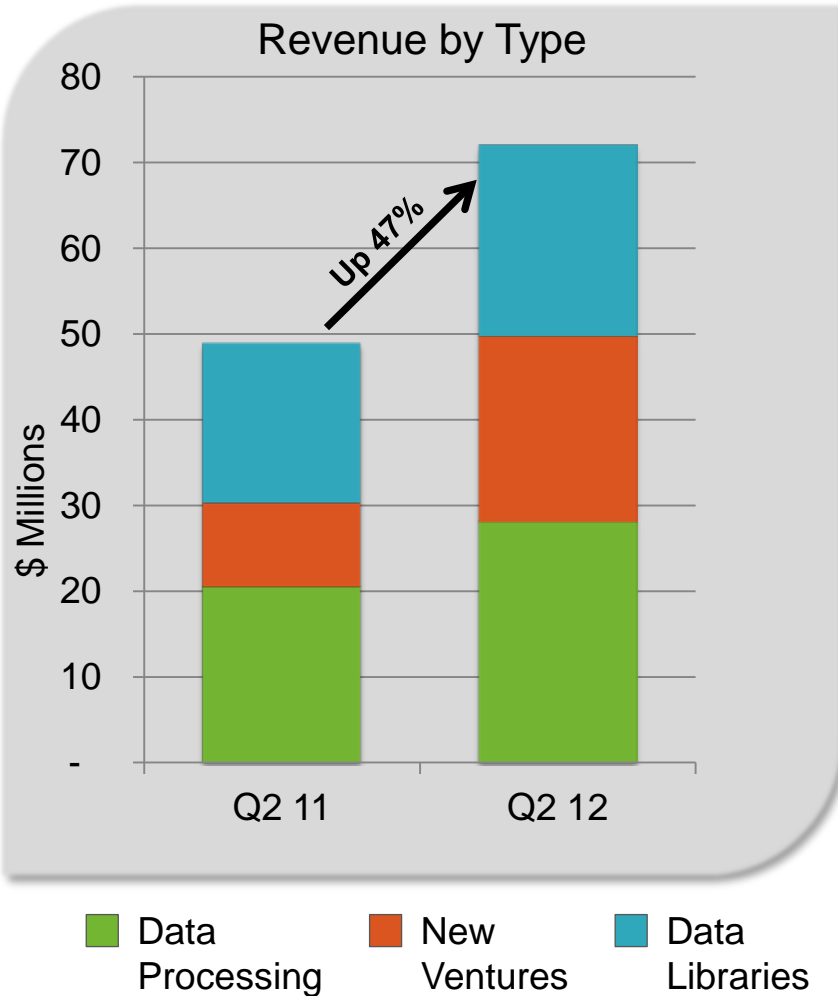
■ Solutions ■ Systems ■ Software

- **Solutions** revenues of \$72 million, up 47% Y/Y
- **Software** revenues of \$10 million, up 6% in local currency Y/Y
- **Systems** revenues of \$23 million, down 23% Y/Y

Q2 revenue growth led by strong growth in Solutions segment

# Solutions Segment

## Financial Overview

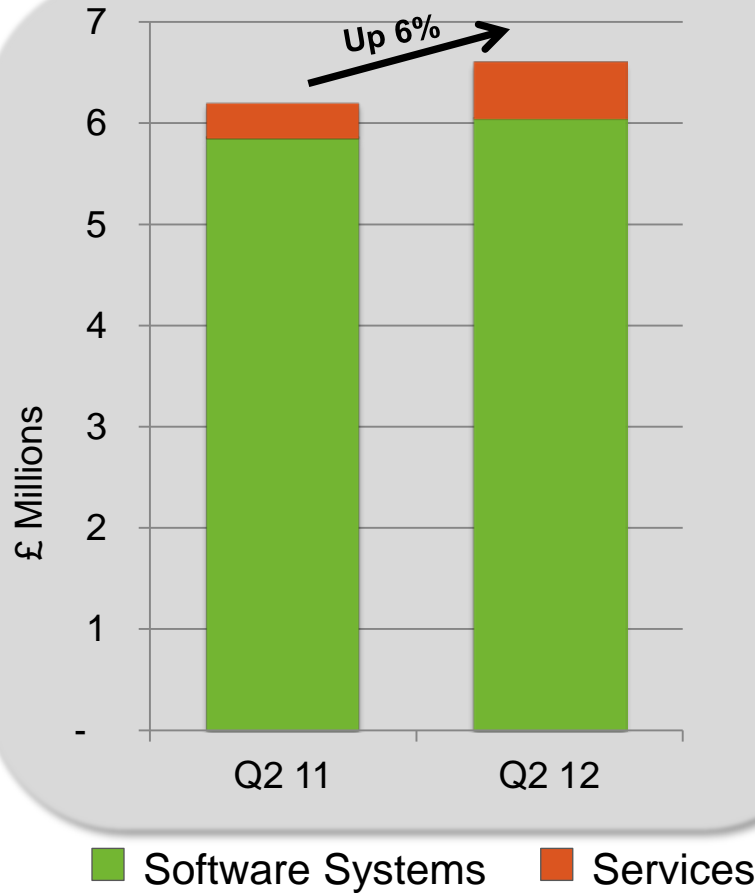


Data Processing and New Ventures activity strong.  
Backlog growing well.

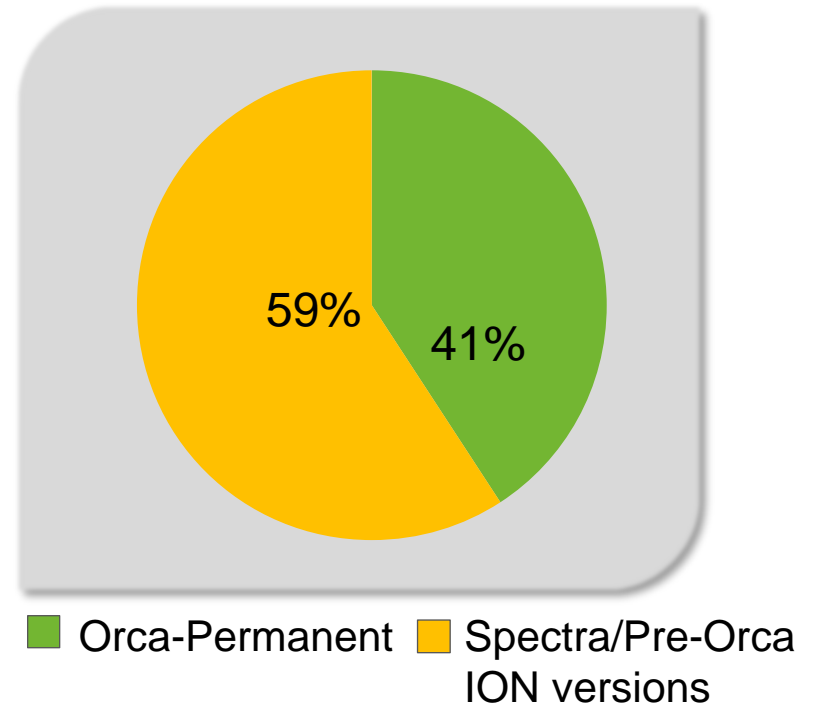
# Software Segment

## Financial Overview

Revenue by Type (GBP)



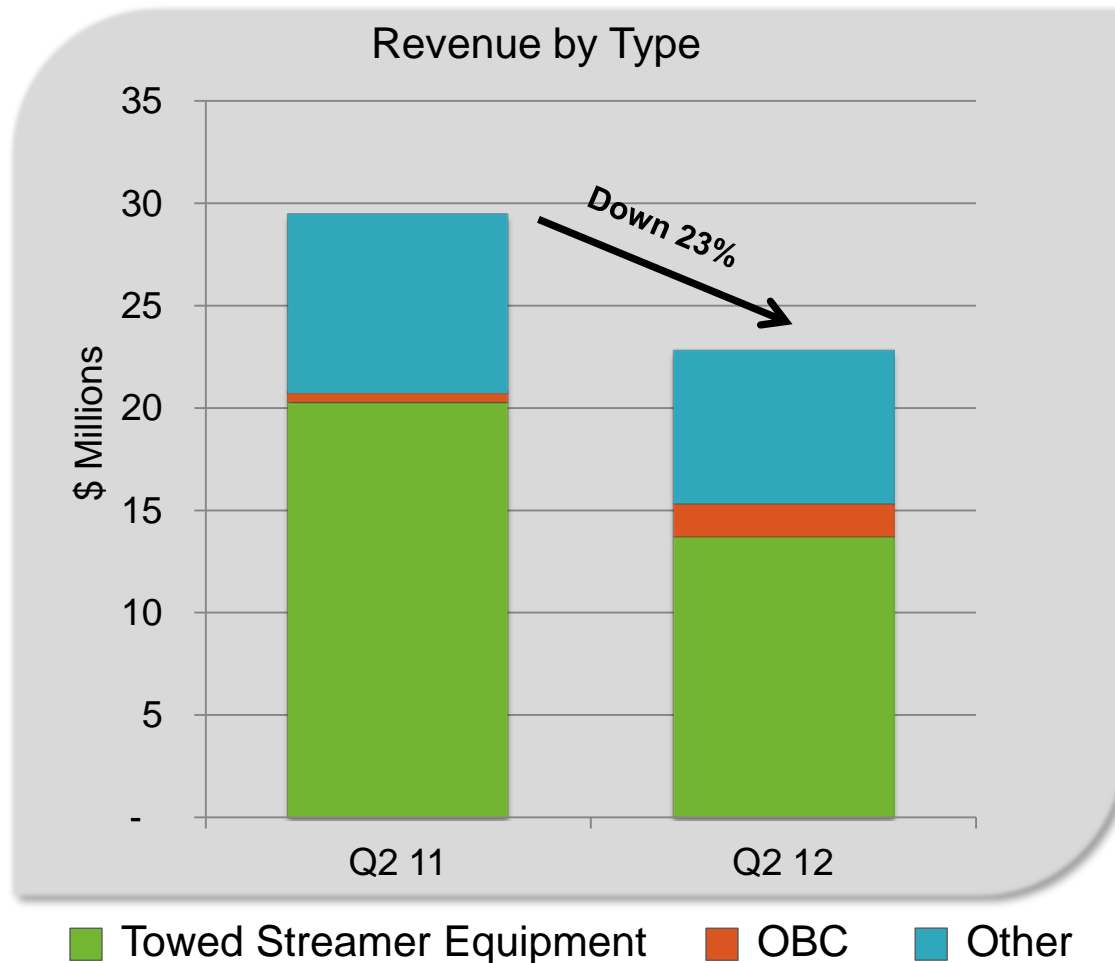
% of Seismic Vessels with Orca®



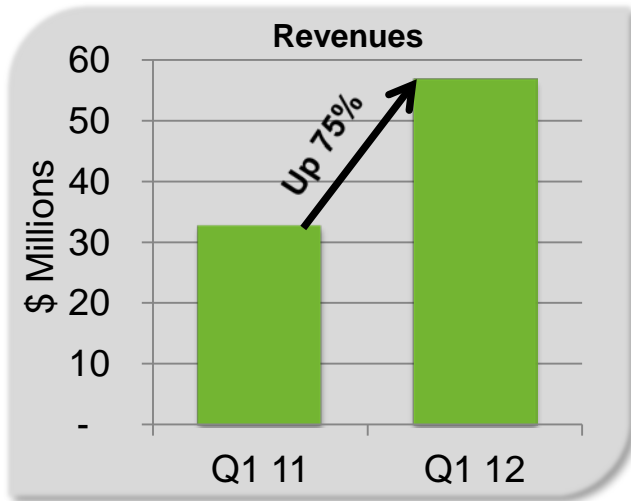
Continued steady growth in Q2.  
Added two Orca vessels.  
Growing demand for on-board services.

# Systems Segment

## Financial Overview

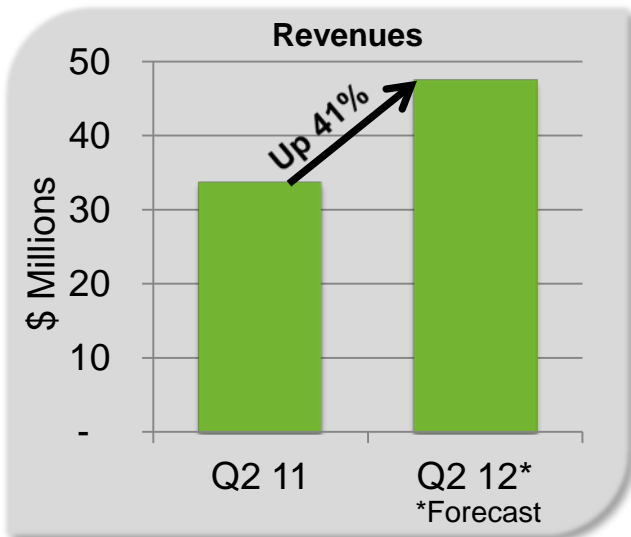


Q2 soft as expected – timing of revenue recognition.  
Good reception for Calypso at EAGE.



### Q1 2012

- Revenues of \$56.8 million with operating income of \$8.9 million\*\*
- Delivered 15,000 channels of G3i™
- Delivered first 3 UniVib™ units
- Significant number of Vibrator sales



### Q2 2012

- Estimated revenues of \$45 to \$49 million with an operating loss of (\$3) to (\$4) million\*\*
- Delivered an additional 9,000 channels of G3i
- First sale of new wireless Hawk™ system



# Financial Overview

## Cash Flow

### SUMMARIZED CASH FLOW

Three Months Ended  
June 31,

2012

2011

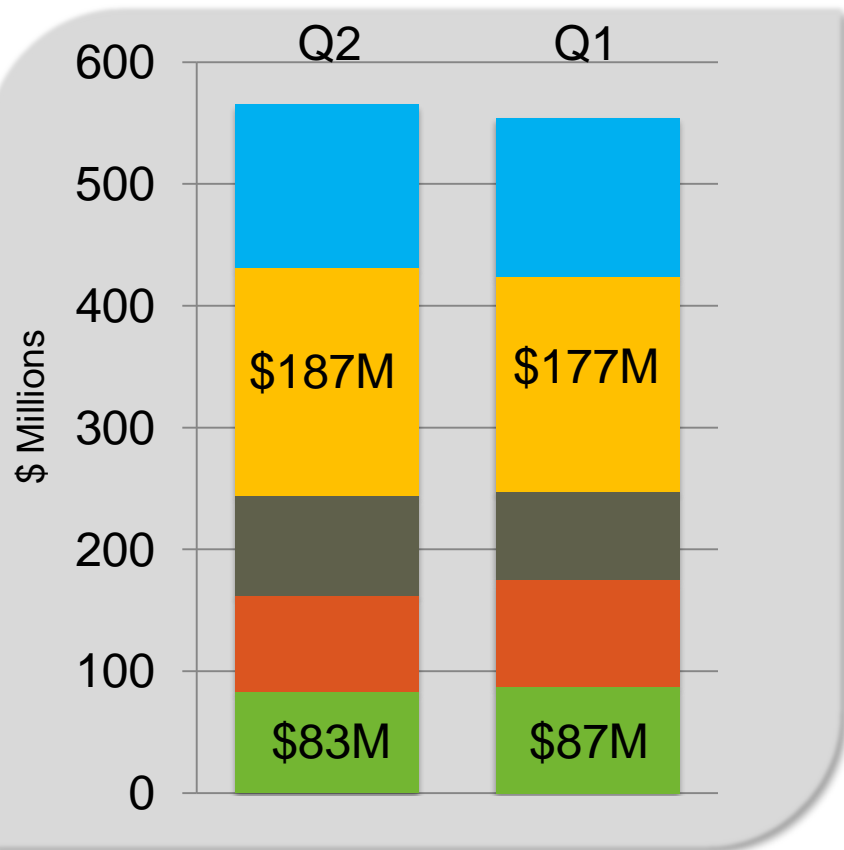
Cash from operations	\$ 38,556	\$ 20,349
Working capital	(5,023)	(11,283)
Multi-client investment	(28,054)	(34,195)
PP&E Capital Expenditures	(3,122)	(3,566)
Free Cash Flow	2,357	(28,695)
Other Investing & Financing	(6,171)	(7,186)
Cash flow, including ST investments	(3,814)	(35,881)
Cash, Cash Equivalents & ST Investments (Beginning of Period)	87,096	130,834
Cash, Cash Equivalents & ST Investments (End of Period)	\$ 83,282	\$ 94,953

Good free cash flow and strong cash position

# Financial Overview

Balance Sheet as of June 30, 2012

Capital Employed\*



- Cash
- Net Fixed Assets
- Goodwill & Equity in INOVA
- Other Working Capital
- Multi-Client Data Library

Capital Book Value




- Debt
- Equity

Net Debt of \$22M\*\*

# Continued Momentum in Q2

- Strong first half 2012
- Expect solid Y/Y growth throughout 2012
- Continue to anticipate 2012 multi-client investment in \$130 - \$150 range
- Remain positive on outlook to achieve Y/Y quarterly improvement for balance of 2012





**ion** → Charged to innovate. Driven to solve.™