VEECO INSTRUMENTS INC

FORM 8-K
(Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **July 24, 2008**

VEECO INSTRUMENTS INC.
(Exact name of registrant as specified in its charter)

Delaware	**0-16244**	**11-2989601**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Terminal Drive, Plainview, New York 11803
(Address of principal executive offices, including zip code)

(516) 677-0200
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 - Financial Information

Item 2.02 Results of Operations and Financial Condition.

On July 28, 2008, Veeco Instruments Inc. (“Veeco” or the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2008. In connection with the release and the related conference call, Veeco posted a presentation relating to its second quarter 2008 financial results on its website (www.veeco.com). Copies of the press release and presentation are furnished as Exhibit 99.1 and Exhibit 99.2 to this report.

Section 5 - Corporate Governance and Management

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

During its CEO search in April 2007, Veeco and Edward H. Braun, then Chairman and CEO of Veeco, entered into an Employment Agreement for Mr. Braun as a means of ensuring an effective CEO transition and to provide for continuity of Mr. Braun’s availability to the Company. A copy of the Employment Agreement was previously filed with the Commission.

On July 1, 2007, John R. Peeler joined Veeco as CEO. Mr. Braun remained as Chairman and remained available to assist Mr. Peeler in the CEO transition. Veeco’s Board has determined that the transition of the CEO role from Mr. Braun to Mr. Peeler has been successfully completed and the purpose of the Employment Agreement has been met.

On July 24, 2008 (the “Effective Date”), Veeco and Mr. Braun mutually agreed to terminate the Employment Agreement and replace it with a Service Agreement to provide the terms on which Mr. Braun will remain available to serve on Veeco’s Board. The principal terms of the Service Agreement are:

(a) Certain payments to Mr. Braun provided for under the Employment Agreement will be accelerated and paid within 15 days of the Effective Date. These payments include:

$197,198, representing the base salary which would have been payable to Mr. Braun under the Employment Agreement for the period from the Effective Date through December 31, 2008, less the amount payable to Mr. Braun under paragraph (d) below for the period from the Effective Date through December 31, 2008;

$622,813, representing the amount which would have been payable to Mr. Braun under the Employment Agreement with respect to the 2008 Management Bonus Plan at target, less the amount of the 2008 profit sharing bonus paid to Mr. Braun in May 2008 for the first quarter; and

$61,887, representing the car allowance which would have been payable to Mr. Braun under the Employment Agreement for the duration of the Employment Period (as defined in the Employment Agreement).

(b) The stock options and restricted stock awards granted to Mr. Braun on June 9, 2006 and April 27, 2007 which have not previously vested or become exercisable shall become vested and exercisable as of the Effective Date.

(c) Mr. Braun will remain available to serve on the Board from the Effective Date until December 31, 2011. The period beginning on the Effective Date and continuing through and including December 31, 2011 shall be referred to as the “Service Period”; provided, that, if Mr. Braun ceases to serve as a member of the Board prior to December 31, 2011, then the Service Period shall end on the date on which Mr. Braun ceases to serve as a member of the Board.

(d) During the Service Period, the Company shall compensate Mr. Braun for his service on the Board at the rate of $200,000 per year, subject to periodic review by the Board. In addition, during the Service Period, Mr. Braun shall be entitled to participate in all group health and insurance programs available generally to senior executives of the company. Except as provided above, Mr. Braun shall not be entitled to any additional compensation, including, without limitation, bonuses, equity awards, meeting fees, retainers or other compensation, for his service on the Board or in any other capacity during the Service Period.

(e) Mr. Braun shall retain the right to exercise any options to purchase shares of the Company’s stock which were granted to him prior to the Effective Date until the earlier of (a) three (3) years following the end of the Service Period and (b) the expiration of the original full term of each such option (provided that (i) options granted to Mr. Braun between April 3, 2000 and March 31, 2003 shall be treated as provided in the Employment Agreement dated April 3, 2000 between Veeco and Mr. Braun; and (ii) options granted to Mr. Braun between April 1, 2003 and April 26, 2007 shall be treated as provided in the Employment Agreement dated April 1, 2003 between Veeco and Mr. Braun).

(f) Mr. Braun will be subject to non-competition, non-solicitation and non-hire provisions for so long as he is receiving payments or other benefits from Veeco under the Service Agreement and for twelve (12) months thereafter.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits* .

Exhibit	Description
99.1	Press release issued by Veeco Instruments Inc. dated July 28, 2008.
99.2	Veeco Instruments Inc. Q2 2008 Financial Results Presentation dated July 28, 2008.

The information in this report, including the exhibits, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities under that Section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VEECO INSTRUMENTS INC.

July 28, 2008	By: /s/ Gregory A. Robbins Gregory A. Robbins Senior Vice President and General Counsel

EXHIBIT INDEX

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EXHIBIT 99.1

NEWS

Veeco Instruments Inc., Terminal Drive, Plainview, NY 11803 Tel. 1 516-677-0200 Fax. 1 516-677-0380

FOR IMMEDIATE RELEASE

Financial Contact: Debra Wasser, SVP Investor Relations & Corporate Communications, 1 516-677-0200 x1472
Media Contact: Fran Brennen, Senior Director Marcom, 1 516-677-0200 x1222

VEECO ANNOUNCES SECOND QUARTER AND SIX MONTH 2008 FINANCIAL RESULTS

Plainview, NY, July 28, 2008 — Veeco Instruments Inc. (Nasdaq: VECO) today announced its financial results for the second quarter and six months ended June 30, 2008. Veeco reports its results on a generally accepted accounting principles ("GAAP") basis, and also provides results excluding certain items. Investors should refer to the attached table for details of the reconciliation of GAAP operating income to earnings excluding certain items.

Veeco will host a conference call reviewing these results at 5:00 pm EDT today at 1-877-856-1964 (toll free) or 1-719-325-4812. The call will also be webcast live on the Veeco website at www.veeco.com. A replay of the call will be available beginning at 8:00pm ET through midnight on August 12, 2008 at 888-203-1112 or 719-457-0820, using passcode 3021674, or on the Veeco website. Please also see the Veeco website for a slide presentation reviewing financial data.

Second Quarter 2008 Highlights

- Revenue was $114.4 million, up 16% compared to $98.8 million last year, and ahead of guidance of $102-$110 million;
- Bookings were $136.5 million, up 21% compared to $112.5 million last year, and ahead of guidance of $110-$118 million;
- Net income was $4.2 million, or $0.13 per share, compared to a net loss of ($2.6) million, or ($0.08) per share, last year. Veeco's guidance was for GAAP EPS to be between ($0.07) – $0.02 per share.
- Veeco's earnings per share, excluding certain items, was $0.16 compared to earnings per share of $0.05 last year, ahead of Veeco's guidance of $0.03-$0.09 per share.

John R. Peeler, Veeco's Chief Executive Officer, commented, "We are pleased to report second quarter results that were ahead of our guidance for bookings, revenues and earnings. Second quarter LED & Solar Process Equipment revenues were $45.1 million, up 61% compared to the prior year and 7% sequentially, representing our largest segment. Data Storage Process Equipment revenues increased to $36.7 million, up 15% from last year and 52% sequentially, with some customer acceleration of delivery dates for Veeco equipment. Metrology revenue was $32.6 million, down 16% compared to prior year and 10% sequentially, primarily due to continued weak semiconductor and research end market conditions."

"Veeco's $136.5 million in second quarter bookings reflect the best quarterly performance we have had in two years. LED & Solar bookings were $52.1 million, up 43% compared to last year and 35% sequentially, with customers making significant technology and capacity investments. Our Data Storage business reported second quarter orders of $51.7 million, up approximately 25% from the prior year and 27% sequentially, as key hard drive manufacturers invested in equipment capacity aligned to their wafer size change programs. Veeco's Metrology bookings were $32.7 million, declining 6% versus the prior year but increasing 9% on a sequential basis."

Mr. Peeler added, “We completed the purchase of Mill Lane Engineering, a key equipment supplier to Global Solar Energy Inc., during the second quarter, expanding Veeco’s solar product offerings to include web coaters for flexible photovoltaic applications. As expected, this business had no contribution to our second quarter revenue due to purchase accounting requirements and the timing of the completion of the acquisition, and no new orders for web coaters were received during the quarter.”

Second Quarter 2008 Summary

Veeco’s revenue for the second quarter of 2008 was $114.4 million, compared to $98.8 million in the second quarter of 2007. Second quarter 2008 operating income was $6.2 million compared with an operating loss of ($1.0) million in the second quarter of 2007. Veeco’s second quarter 2008 earnings before interest, taxes and amortization excluding certain charges (EBITA) was $8.7 million, compared to $2.8 million last year. Second quarter 2008 net income was $4.2 million, or $0.13 per share, compared to a net loss of ($2.6) million, or ($0.08) per share, last year. Excluding amortization expenses and using a 35% tax rate in both periods and certain charges in 2007, second quarter 2008 earnings per share were $0.16, compared to $0.05 in 2007.

Six Month 2008 Summary

Veeco’s revenue for the first six months of 2008 was $216.8 million, compared to $197.9 million in the first six months of 2007. Six month 2008 operating income was $6.3 million compared with $0.7 million in the first six months of 2007. Veeco’s EBITA was $13.9 million for the first six months of 2008, compared to $8.5 million last year. Net income was $2.6 million, or $0.08 per share in the first six months of 2008, compared to a net loss of ($2.3) million, or ($0.07) per share, last year. Excluding certain charges, amortization expenses and using a 35% tax rate both periods, earnings per share were $0.25 in the first six months of 2008, compared to $0.15 in the first six months of 2007.

Outlook

The Company forecasts third quarter 2008 revenues to be in the range of $113-$118 million. Veeco’s earnings per share are currently forecasted to be between ($0.12) – ($0.03) on a GAAP basis. In the third quarter Veeco will incur a charge to earnings of $3.7 million related to the expense associated with the mutually agreed termination of the employment agreement of Veeco’s former CEO Edward Braun, following the successful completion of the CEO transition (Mr. Braun remains Veeco’s Chairman). In addition, Veeco will also incur a $0.7 million third quarter charge for restructuring in Metrology, and a $0.4 million charge related to the required purchase accounting adjustment to write up inventory to fair value in connection with the purchase of Mill Lane Engineering. Excluding these charges and amortization of $3.1 million, and using a 35% tax rate, Veeco’s third quarter earnings per share are currently forecasted to be between $0.10 to $0.15 on a non-GAAP basis. Veeco currently expects that its third quarter 2008 bookings will be in the range of $113-$118 million, with some normal seasonality anticipated.

Mr. Peeler commented, “We are pleased that at the mid-point of the year, even with the backdrop of difficult overall economic conditions, Veeco is achieving results ahead of our original expectations. We remain on track to significantly improve Veeco’s performance on both the top and bottom line in 2008. We currently forecast that 2008 revenues will be between $450 and 455 million.”

About Veeco

Veeco Instruments Inc. manufactures enabling solutions for customers in the HB-LED, solar, data storage, semiconductor, scientific research and industrial markets. We have leading technology positions in our three businesses: LED & Solar Process Equipment, Data Storage Process Equipment, and Metrology Instruments. Veeco’s manufacturing and engineering facilities are located in New York, New Jersey, California, Colorado, Arizona and Minnesota. Global sales and service offices are located throughout the U.S., Europe, Japan and APAC. http://www.veeco.com/

To the extent that this news release discusses expectations or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made. These factors include the risks discussed in the Business Description and Management’s Discussion and Analysis sections of Veeco’s Annual Report on Form 10-K for the year ended December 31, 2007 and in our subsequent *quarterly reports on Form 10-Q, current reports on Form 8-K and press releases. Veeco does not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.*

- financial tables attached-

Veeco Instruments Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Net sales	$ 114,449	$ 98,769	$ 216,756	$ 197,935
Cost of sales	66,719	56,524	126,400	111,995
Gross profit	47,730	42,245	90,356	85,940
Operating expenses:				
Selling, general and administrative expense	24,311	23,818	46,939	46,624
Research and development expense	15,145	15,903	29,871	31,292
Amortization expense	2,426	2,368	4,382	6,277
Restructuring expense	—	1,445	2,875	1,445
Asset impairment charge	—	—	285	—
Other income, net	(382)	(279)	(378)	(426)
Operating income (loss)	6,230	(1,010)	6,382	728
Interest expense, net	969	772	1,861	1,591
Gain on extinguishment of debt	—	—	—	(738)
Income (loss) before income taxes and noncontrolling interest	5,261	(1,782)	4,521	(125)
Income tax provision	1,129	1,042	2,048	2,536
Noncontrolling interest	(70)	(229)	(146)	(359)
Net income (loss)	$ 4,202	$ (2,595)	$ 2,619	$ (2,302)
Income (loss) per common share:				
Net income (loss) per common share	$ 0.13	$ (0.08)	$ 0.08	$ (0.07)
Diluted net income (loss) per common share	$ 0.13	$ (0.08)	$ 0.08	$ (0.07)
Weighted average shares outstanding	31,255	30,926	31,197	30,912
Diluted weighted average shares outstanding	31,590	30,926	31,435	30,912

Veeco Instruments Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands)

	June 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 109,644	$ 117,083
Accounts receivable, net	76,413	75,207
Inventories, net	115,025	98,594
Prepaid expenses and other current assets	6,741	8,901
Deferred income taxes	2,808	2,649
Total current assets	310,631	302,434
Property, plant and equipment, net	66,458	66,142
Goodwill	101,828	100,898
Other assets, net	63,842	59,860
Total assets	$ 542,759	$ 529,334
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 37,091	$ 36,639
Accrued expenses	65,532	60,201
Deferred profit	2,890	3,250
Income taxes payable	1,086	2,278
Current portion of long-term debt	25,422	25,550
Total current liabilities	132,021	127,918
Deferred income taxes	4,673	3,712
Long-term debt	120,939	121,035
Other non-current liabilities	2,514	1,978
Noncontrolling interest	868	1,014
Shareholders' equity	281,744	273,677
Total liabilities and shareholders' equity	$ 542,759	$ 529,334

Veeco Instruments Inc. and Subsidiaries
Reconciliation of operating income (loss) to earnings excluding certain items
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Operating income (loss)	$ 6,230	$ (1,010)	$ 6,382	$ 728
Adjustments:				
Amortization expense	2,426	2,368	4,382	6,277
Restructuring expense	—	1,445	2,875(1)	1,445
Asset impairment charge	—	—	285(2)	—
Earnings before interest, income taxes and amortization excluding certain items (“EBITA”)	8,656	2,803	13,924	8,450
Interest expense, net	969	772	1,861	1,591
Gain on extinguishment of debt	—	—	—	(738)(3)
Adjustment to exclude gain on extinguishment of debt	—	—	—	738
Earnings excluding certain items before income taxes	7,687	2,031	12,063	6,859
Income tax provision at 35%	2,690	711	4,222	2,401
Noncontrolling interest, net of income tax provision at 35%	(46)	(149)	(95)	(233)
Earnings excluding certain items	$ 5,043	$ 1,469	$ 7,936	$ 4,691
Earnings excluding certain items per diluted share	$ 0.16	$ 0.05	$ 0.25	$ 0.15
Diluted weighted average shares outstanding	31,590	31,263	31,435	31,278

(1) During the first quarter of 2008, the Company recorded a restructuring charge of $2.9 million, consisting of $2.6 million of costs associated with the consolidation and relocation of the lease for our Corporate headquarters, and $0.3 million of personnel severance costs.

(2) During the first quarter of 2008, the Company recorded a $0.3 million asset impairment charge related to fixed asset write-offs associated with the consolidation and relocation of our Corporate headquarters.

(3) During the first quarter of 2007, the Company repurchased $56.0 million aggregate principal amount of its 4.125% convertible subordinated notes. As a result of these repurchases, the Company recorded a gain from the early extinguishment of debt in the amount of $0.7 million.

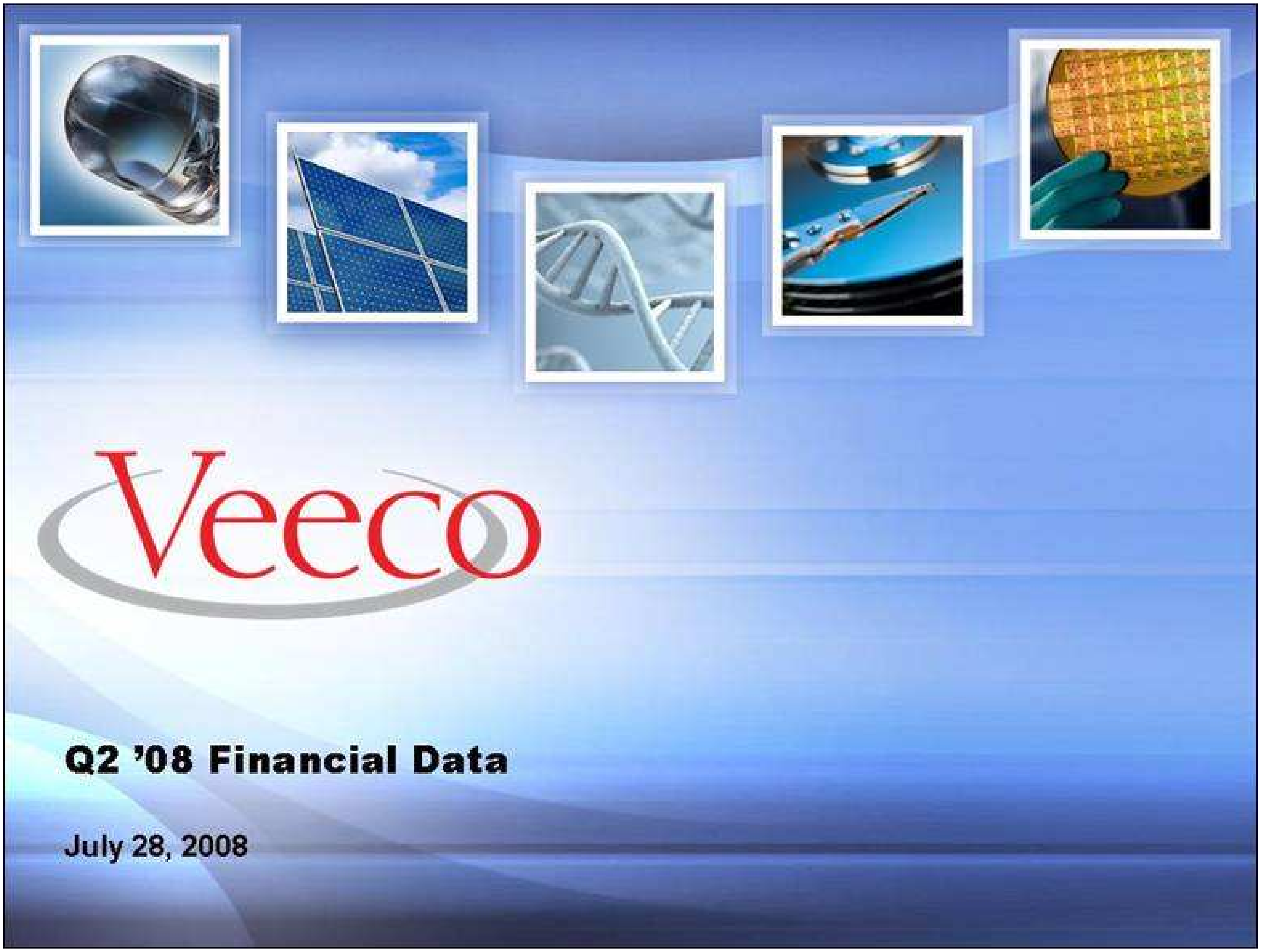
NOTE - The above reconciliation is intended to present Veeco’s operating results, excluding certain items and providing income taxes at a 35% statutory rate. This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States, and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on EBITA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes EBITA reports baseline performance and thus provides useful information.

Veeco Instruments Inc. and Subsidiaries
Segment Revenues, Bookings, and Reconciliation
of Operating Income (Loss) to EBITA
(In millions)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
LED & Solar Process Equipment				
Bookings	$ 52.1	$ 36.4	$ 90.8	$ 72.8
Revenues	45.1	28.0	87.2	50.4
Operating income	7.8	2.8	15.8	2.3
Amortization expense	1.0	1.0	1.5	3.3
EBITA	8.8	3.8	17.3	5.6
Data Storage Process Equipment				
Bookings	51.7	41.3	92.3	73.6
Revenues	36.7	32.0	60.9	67.7
Operating income	4.3	0.7	1.7	2.1
Amortization expense	0.9	0.9	1.9	1.9
Restructuring expense	—	—	0.1	—
EBITA	5.2	1.6	3.7	4.0
Metrology				
Bookings	32.7	34.8	62.7	72.0
Revenues	32.6	38.7	68.7	79.8
Operating (loss) income	(1.6)	(1.3)	(0.4)	2.3
Amortization expense	0.4	0.3	0.8	0.7
Restructuring expense	—	1.4	0.2	1.4
EBITA	(1.2)	0.4	0.6	4.4
Unallocated Corporate				
Operating loss	(4.2)	(3.3)	(10.8)	(6.0)
Amortization expense	0.1	0.2	0.2	0.4
Restructuring expense	—	0.1	2.6	0.1
Asset impairment charge	—	—	0.3	—
EBITA	(4.1)	(3.0)	(7.7)	(5.5)
Total				
Bookings	136.5	112.5	245.8	218.4
Revenues	114.4	98.7	216.8	197.9
Operating income (loss)	6.3	(1.1)	6.3	0.7
Amortization expense	2.4	2.4	4.4	6.3
Restructuring expense	—	1.5	2.9	1.5
Asset impairment charge	—	—	0.3	—
EBITA	$ 8.7	$ 2.8	$ 13.9	$ 8.5

** Refer to footnotes on Reconciliation of operating income to earnings excluding certain items

Exhibit 99.2



Second Quarter 2008 Highlights

- Revenue was $114.4 million, up 16% compared to $98.8 million last year, and ahead of guidance of $102-$110 million;
- Bookings were $136.5 million, up 21% compared to $112.5 million last year, and ahead of guidance of $110-$118 million;
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- Veeco's earnings per share, excluding certain items, was $0.16 compared to earnings per share of $0.05 last year, ahead of Veeco's guidance of $0.03-$0.09 per share.

Veeco

Q2 2008 Financials

($M except EPS)

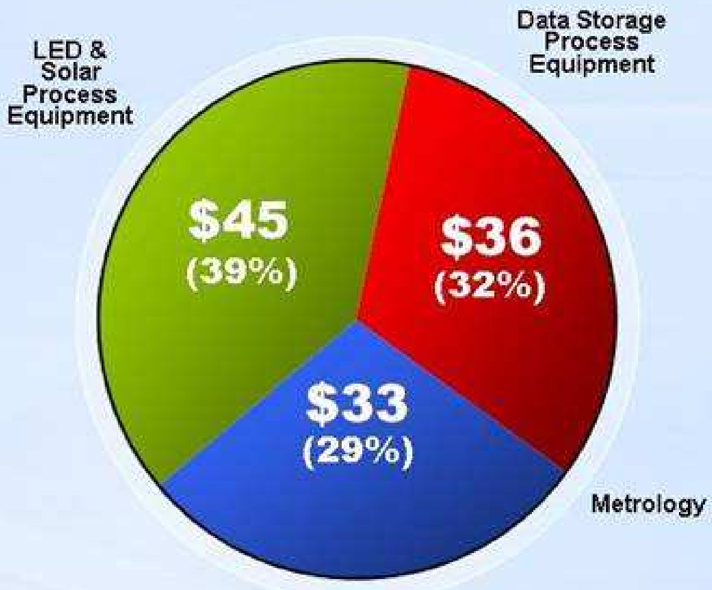
	Q2 '08	Q2 '07	Q1 '08
Orders	$136.5	$112.5	$109.3
Revenues	$114.4	$98.7	$102.3
Gross Margin	42%	43%	42%
Operating Income (Loss)	$6.2	($1.0)	$0.1
EBITA*	$8.7	$2.8	$5.3
EPS (Non-GAAP)	$0.16	$0.05	$0.09

*See reconciliation to GAAP at end of presentation

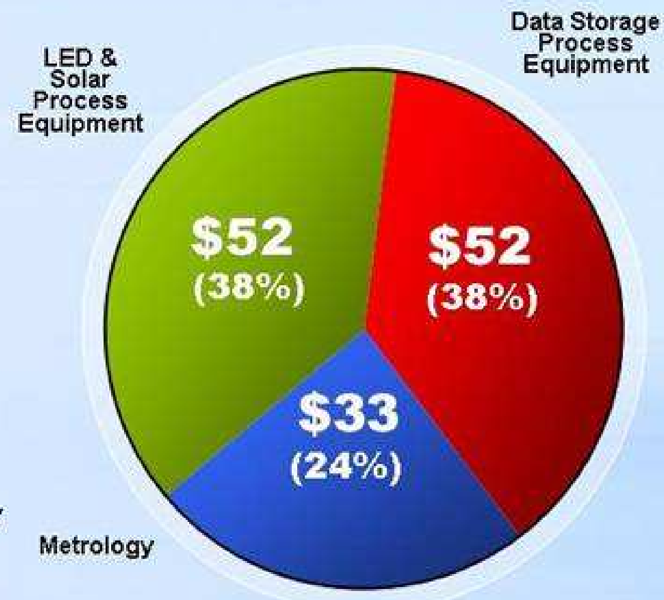
Veeco

Second Quarter 2008 Segment Results

Q2 08 Revenues ($M)
$114 Million



Q2 08 Bookings ($M)
$137 Million

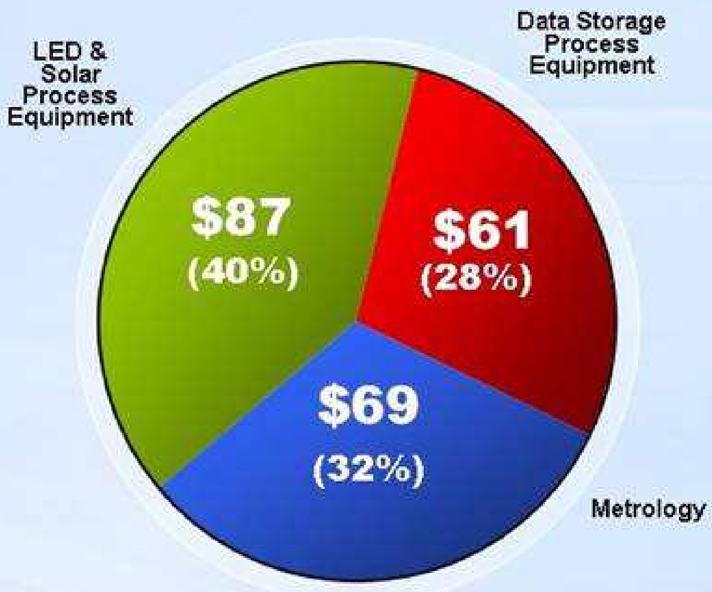


POSITIVE BOOK-TO-BILL IN LED & SOLAR AND DATA STORAGE

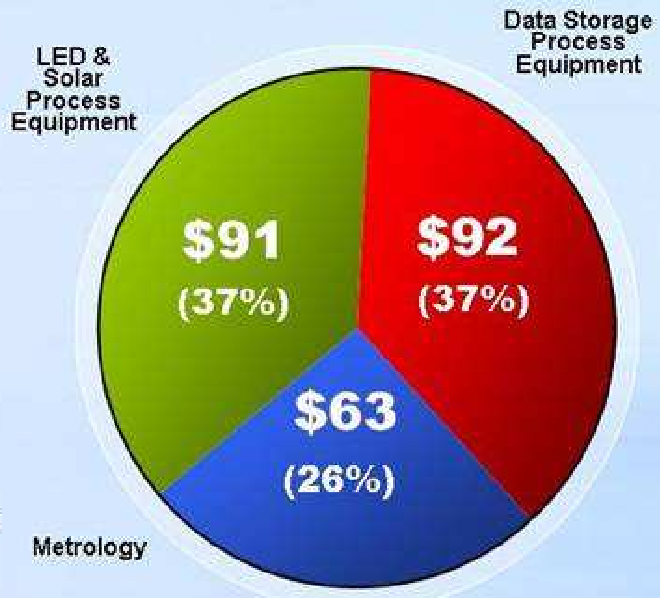
Veeco

First Six Month 2008 Segment Results

Six Month 08 Revenues ($M)
$217 Million



Six Month 08 Bookings ($M)
$246 Million



POSITIVE BOOK-TO-BILL IN LED & SOLAR AND DATA STORAGE

Veeco

Q2 2008 Segment Performance

	Bookings			Revenues			EBITA*	
$m	**Q2 08**	**Q2 07**	**Δ**	**Q2 08**	**Q2 07**	**Δ**	**Q2 08**	**Q2 07**
LED & Solar	$52.1	$36.4	+43%	$45.1	$28.0	+61%	8.7	3.8
Data Storage	$51.7	$41.3	+25%	$36.7	$32.0	+15%	5.2	1.6
Metrology	$32.7	$34.8	-6%	$32.6	$38.7	-16%	(1.2)	0.4
Unallocated Corporate							**(4.1)**	**(3.0)**
Veeco Total	***$136.5***	***$112.5***	***+21%***	***$114.4***	***$98.8***	***+16%***	***8.7***	***2.8***

Q3 '08 Guidance

Q3 '08 Revenues	$113-$118 million
Q3 '08 Earnings	($0.12) – ($0.03) per share GAAP
Non-GAAP EPS	$0.10 - $0.15 *[using 35% tax rate and excluding $3.7M charge related to mutually agreed termination of employment agreement for Veeco's former CEO;$0.7M for Metrology restructuring; $0.4M purchase accounting adjustment to write up inventory to fair value (Mill Lane); amortization $3.1M.]*
Q3 '08 Orders	$113-$118 million

Veeco

Gross Margin Improvement Model

	Q4 2007	2007 Full Year	Q2'08	Q3'08 F	Peak Quarter Targets	2008 Forecast
Revenue ($M)	$106.8	$402	**$114.4**	$113-$118	$135*	$450-455
Gross Margin						
Process Equipment	37.2%	38.1%	**40.9%**	40%	43%	40-41%
Metrology	39.3%	44.1%	**43.8%**	45%	50%	45-46%
TOTAL	37.9%	40.3%	**41.7%**	42%	45%	42%
Operating Expenses	34.1%	37.6%	**34.1%**	35-36%	32 - 34%	35-36%
EBITA (%)	3.8%	2.7%	**7.6%**	5-7%	11 - 14%	5-7%

Peak Quarter Margins Require >$40M Metrology Revenues

Veeco Balance Sheet

(in millions)

	June 30, 2008	December 31, 2007
Cash and Investments	$109.6	$117.1
Working Capital	178.6	174.5
Fixed Assets	66.5	66.1
Total Assets	542.8	529.3
Long-Term Debt (including current portion)	146.4	146.6
Shareholder's Equity	$281.7	$273.7

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Safe Harbor Statement

To the extent that this presentation discusses expectations or otherwise make statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made. These factors include the risk factors discussed in the Business Description and Management's Discussion and Analysis sections of Veeco's Annual Report on Form 10-K for the year ended December 31, 2007 and subsequent Quarterly Reports on Form 10-Q and current reports on Form 8-K. Veeco does not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

In addition, this presentation includes non-GAAP financial measures. For GAAP reconciliation, please refer to the reconciliation section in this presentation as well as Veeco's financial press releases and 10-K and 10-Q filings available on www.veeco.com.

Back-Up and Reconciliation Slides

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Q2 and 1H '08 Reconciliation Table

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Operating income (loss)	$6,230	($1,010)	$6,382	$728
Adjustments:				
Amortization expense	2,426	2,368	4,382	6,277
Restructuring expense	-	1,445	2,875 (1)	1,445
Asset impairment charge	-	-	285 (2)	-
Earnings before interest, income taxes and amortization excluding certain items ("EBITA")	8,656	2,803	13,924	8,450
Interest expense, net	969	772	1,861	1,591
Gain on extinguishment of debt	-	-	-	(738) (3)
Adjustment to exclude gain on extinguishment of debt	-	-	-	738
Earnings excluding certain items before income taxes	7,687	2,031	12,063	6,859
Income tax provision at 35%	2,690	711	4,222	2,401
Noncontrolling interest, net of income tax provision at 35%	(46)	(149)	(95)	(233)
Earnings excluding certain items	$5,043	$1,469	$7,936	$4,691
Earnings excluding certain items per diluted share	$0.16	$0.05	$0.25	$0.15
Diluted weighted average shares outstanding	31,590	31,263	31,435	31,278

1. During the first quarter of 2008, the Company recorded a restructuring charge of $2.9 million, consisting of $2.6 million of costs associated with the consolidation and relocation of the leases for our Corporate headquarters, and $0.3 million of personnel severance costs.
2. During the first quarter of 2008, the Company recorded a $0.3 million asset impairment charge related to fixed asset write-offs associated with the consolidation and relocation of our Corporate headquarters.
3. During the first quarter of 2007, the Company repurchased $56.0 million aggregate principal amount of its 4.125% convertible subordinated notes. As a result of these repurchases, the Company recorded a gain from the early extinguishment of debt in the amount of $0.7 million.

NOTE - The above reconciliation is intended to present Veeco's operating results, excluding certain items and providing income taxes at a 35% statutory rate. This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States, and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on EBITA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes EBITA reports baseline performance and thus provides useful information.

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Q2 and Six Month Segment Data

		Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
LED & Solar Process Equipment					
Bookings	($Ms)	52.1	$ 36.4	$ 90.8	$ 72.8
Revenues		45.1	28.0	87.2	50.4
Operating income		7.8	2.8	15.8	2.3
Amortization expense		1.0	1.0	1.5	3.3
EBITA		8.8	3.8	17.3	5.6
Data Storage Process Equipment					
Bookings		51.7	41.3	92.3	73.6
Revenues		36.7	32.0	60.9	67.7
Operating income		4.3	0.7	1.7	2.1
Amortization expense		0.9	0.9	1.9	1.9
Restructuring expense		-	-	0.1	-
EBITA		5.2	1.6	3.7	4.0
Metrology					
Bookings		32.7	34.8	62.7	72.0
Revenues		32.6	38.7	68.7	79.8
Operating (loss) income		(1.6)	(1.3)	(0.4)	2.3
Amortization expense		0.4	0.3	0.8	0.7
Restructuring expense		-	1.4	0.2	1.4
EBITA		(1.2)	0.4	0.6	4.4
Unallocated Corporate					
Operating loss		(4.2)	(3.3)	(10.8)	(6.0)
Amortization expense		0.1	0.2	0.2	0.4
Restructuring expense		-	0.1	2.6	0.1
Asset impairment charge		-	-	0.3	-
EBITA		(4.1)	(3.0)	(7.7)	(5.5)
Total					
Bookings		136.5	112.5	245.8	218.4
Revenues		114.4	98.7	216.8	197.9
Operating income (loss)		6.3	(1.1)	6.3	0.7
Amortization expense		2.4	2.4	4.4	6.3
Restructuring expense		-	1.5	2.9	1.5
Asset impairment charge		-	-	0.3	-
EBITA	$	8.7	$ 2.8	$ 13.9	$ 8.5

** Refer to footnotes on Reconciliation of operating income to earnings excluding certain items

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Q3 Guidance Reconciliation Table

$ in 000 except EPS	Guidance for the Three months ended June 30, 2008 LOW	HIGH
Operating (loss) income	($2,000)	$600
Amortization expense	3,100	3,100
Restructuring expense	4,400[1]	4,400[1]
Purchase accounting adjustment	400[2]	400[2]
Earnings before interest, income taxes and amortization and excluding certain items ("EBITA")	5,900	8,500
Interest expense, net	1,000	1,000
Earnings excluding certain items before income taxes	4,900	7,500
Income tax provision at 35%	1,715	2,625
Earnings excluding certain items	$3,185	$4,875
Earnings excluding certain items per diluted share	$0.10	$0.15
Diluted weighted average shares outstanding	31,800	31,800

1. During the third quarter of 2008, the Company plans to record a restructuring charge of $3.7 million associated with the termination of the employment agreement for our former CEO pursuant to the successful transition of the new CEO and a charge of $0.7 million for Metrology restructuring.
2. During the third quarter of 2008, the Company plans to record a purchase accounting adjustment of $0.4 million to Cost of Sales associated with the acquisition of Mill Lane Engineering.

NOTE - The above reconciliation is intended to present Veeco's operating results, excluding certain items and providing income taxes at a 35% statutory rate. This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States, and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on EBITA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes EBITA reports baseline performance and thus provides useful information.

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2007 Quarterly Segment Data

Veeco Instruments Inc. and Subsidiaries
Segment Revenues, Bookings, and Reconciliation
of Operating (Loss) Income to EBITA
(In millions)
(Unaudited)

	Three months ended			
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
LED & Solar Process Equipment				
Bookings	$ 36.4	$ 36.4	$ 40.7	$ 42.5
Revenues	22.4	28.0	31.8	33.1
Operating (loss) income	(0.5)	2.8	2.7	4.7
Amortization expense	2.3	1.0	0.5	0.5
EBITA	1.8	3.8	3.2	5.2
Data Storage Process Equipment				
Bookings	32.3	41.3	32.2	35.8
Revenues	35.1	32.1	31.1	39.3
Operating income (loss)	1.4	0.8	(2.2)	(6.4)
Amortization expense	1.0	1.0	1.0	1.0
Restructuring expense	-	-	0.2	2.3
Asset impairment charge	-	-	-	1.1
Inventory write-off	-	-	-	4.8
EBITA	2.4	1.8	(1.0)	2.8
Metrology				
Bookings	39.2	34.8	37.4	38.6
Revenues	41.1	38.7	34.8	35.8
Operating income (loss)	3.6	(0.8)	(0.8)	(2.6)
Amortization expense	0.4	0.3	0.4	0.3
Restructuring expense	-	0.8		0.8
EBITA	4.0	0.3	(0.4)	(1.5)
Unallocated Corporate				
Operating loss	(2.8)	(4.5)	(3.9)	(4.9)
Amortization expense	0.2	0.1	0.1	0.2
Restructuring expense	-	0.8	0.3	1.8
EBITA	(2.6)	(4.0)	(3.5)	(2.9)
Total				
Bookings	105.9	112.5	118.3	114.9
Revenues	98.2	98.8	97.7	108.8
Operating income (loss)	1.1	(1.1)	(4.2)	(8.5)
Amortization expense	3.9	2.4	2.0	2.0
Restructuring expense	-	1.5	0.5	4.1
Asset impairment charge	-	-	-	1.1
Inventory write-off	-	-	-	4.8
EBITA	$ 5.0	$ 2.8	$ (1.7)	$ 4.1

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