VEECO INSTRUMENTS INC

FORM 8-K
(Current report filing)

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Industry	Semiconductors
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Fiscal Year	12/31

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): **February 11, 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.)

100 Sunnyside Boulevard, Suite B, Woodbury, New York 11797
(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 February 11, 2008, Veeco issued a press release announcing its financial results for the quarter and year ended December 31, 2007 . In connection with the release and the related conference call, Veeco posted a presentation relating to its fourth quarter 2007 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.

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.

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 February 11, 2008.
99.2	Veeco Instruments Inc. Q4 2007 Financial Results Presentation dated February 11, 2008.

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.

February 11, 2008

By: /s/ Gregory A. Robbins
Gregory A. Robbins
Senior Vice President and General Counsel

EXHIBIT INDEX

Exhibit	Description
99.1	Press release issued by Veeco Instruments Inc. dated February 11, 2008.
99.2	Veeco Instruments Inc. Q4 2007 Financial Results Presentation dated February 11, 2008.

Exhibit 99.1

NEWS

Veeco Instruments Inc., 100 Sunnyside Boulevard, Suite B, Woodbury, New York 11797. 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 FOURTH QUARTER AND 2007 FINANCIAL RESULTS

WOODBURY, NY, February 11, 2008 — Veeco Instruments Inc. (Nasdaq: VECO) today announced its financial results for the fourth quarter and year ended December 31, 2007. 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 further details of the reconciliation of GAAP operating (loss) income to earnings excluding certain items.

Veeco will host a conference call reviewing these results at 5:00 pm ET today at 1-877-723-9521 (toll free) or 1-719-325-4825. 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 8:00 pm ET tonight through midnight on February 26, 2008 at 1-888-203-1112 (toll free) or 1-719-457-0820, using pass code 4865894, or on the Veeco website. Please also see the Veeco website for a slide presentation reviewing financial data.

Fourth Quarter 2007 Highlights

- Revenue was $106.8 million, in line with Veeco's guidance of $104-$112 million;
- Bookings were $114.9 million, at the high end of Veeco's guidance of $105-$115 million;
- Net loss was ($9.4) million, or ($0.30) per share, compared to net income of $7.6 million, or $0.24 per share, last year. The current quarter net loss includes restructuring and other charges of $10.6 million;
- Veeco's earnings per share, excluding certain items, was $0.07 compared to earnings per share of $0.29 last year, ahead of Veeco's guidance of $0.00-$0.06 per share.

John R. Peeler, Veeco's Chief Executive Officer commented, "Veeco's revenues of $106.8 million were in line with our guidance, representing a decrease of 13% compared to the prior year fourth quarter but a sequential increase of 9%. We are pleased that fourth quarter bookings, at $114.9 million, were at the high end of our guidance. We received orders of over $40 million from HB-LED/wireless and solar customers for our metal organic chemical vapor deposition (MOCVD) systems and thermal deposition sources. Veeco's fourth quarter data storage orders of $36 million were flat sequentially."

"During the fourth quarter, Veeco made significant progress on our profit improvement programs," continued Mr. Peeler. "We completed a 7.5% reduction in force, representing an annualized savings of nearly $12 million. We are on track to consolidate corporate headquarters into our Plainview, NY site, which we anticipate will save $1.8 million annually. In addition, we have right-sized our data storage businesses, including the discontinuation of two products and consolidation of our Fremont, CA R&D center into Plainview, representing another $1.3 million of annual savings. Veeco remains committed to our data storage customers and will focus our R&D and engineering expenditures on specific products aligned to their technology needs and transition to larger wafer sizes. While we will continue to rigorously focus on cost-containment activities, we are investing in our global field sales and service

organization, strengthening our management team, and aligning our R&D spending to growth opportunities in LED, solar and nanotechnology."

Fourth Quarter 2007 Summary

Veeco's revenue for the fourth quarter of 2007 was $106.8 million, compared to $123.1 million in the fourth quarter of 2006. Fourth quarter 2007 operating loss was ($8.6) million, which includes the previously noted $10.6 million in restructuring and other charges, compared with operating income of $10.2 million in the fourth quarter of 2006. Veeco's fourth quarter 2007 earnings before interest, taxes and amortization excluding certain charges (EBITA) was $4.1 million, compared to $14.3 million last year. Fourth quarter net loss was ($9.4) million, or ($0.30) per share, compared to net income of $7.6 million, or $0.24 per share, in the fourth quarter of 2006. Excluding $10.6 million in charges for severance, as well as asset impairment and inventory write-offs related to discontinued product lines in 2007, and excluding amortization expenses and using a 35% tax rate in both periods, fourth quarter 2007 earnings per share were $0.07 compared to $0.29 in 2006. Veeco's fourth quarter 2007 bookings were $114.9 million compared to $109.1 million last year. Veeco recorded $16.2 million in backlog cancellations during the fourth quarter, primarily relating to certain discontinued data storage products.

2007 Summary

Veeco's 2007 revenue was $402.5 million, compared to $441.0 million last year, and the Company's 2007 operating loss was ($12.1) million compared with operating income of $22.5 million in 2006. Veeco's 2007 EBITA was $10.8 million, compared to $39.7 million last year. 2007 net loss was ($17.4) million, or ($0.56) per share, compared to net income of $14.9 million, or $0.48 per share in 2006. Excluding certain charges and gains as well as amortization expense, and using a 35% tax rate in both periods, 2007 earnings were $0.17 per share, compared to $0.75 per share in 2006. Veeco's 2007 bookings were $451.6 million compared to $493.8 million last year.

Outlook

The Company forecasts first quarter 2008 revenues to be in the range of $98-$105 million. Veeco's loss per share is currently forecasted to be between ($0.19) – ($0.09) on a GAAP basis, and earnings per share are currently forecasted to be between $0.00 to $0.06 on a non-GAAP basis (excluding amortization of $2.0 million and restructuring charges of $3.6 million, using a 35% tax rate). As previously announced, the Company expects to incur restructuring charges principally related to the consolidation of its corporate headquarters in the first quarter. The range for these charges is $3.5 million to $4.0 million. ($3.6 million is the current estimate of these charges). Veeco currently expects that its first quarter 2008 bookings will be $105-$112 million.

Mr. Peeler commented, "As we have previously stated, the first half of 2008 will start off slowly. We expect 2008 to be a recovery year for Veeco in terms of growth and profitability. While we always face unpredictability in our served markets, our 2008 goal is for revenue growth at a minimum of 10% and for operating spending to decline as a percentage of sales. While we are cautious about macro-economic issues, we are currently experiencing positive growth trends for Veeco's MOCVD and MBE technologies in the HB-LED/wireless market, as well as early penetration in solar applications. In data storage, Veeco is well-aligned with our customers' technology requirements, and focused on improving profitability in 2008. We also anticipate strength in the scientific research/industrial market to continue, driven by several new instrumentation products. While softness in the semiconductor market continues, our newly launched InSight™ 3DAFM offers Veeco opportunities for growth."

About Veeco

Veeco Instruments Inc. manufactures Process Equipment and Metrology and Instrumentation solutions for the data storage, HB-LED, solar, wireless, semiconductor and scientific research markets. 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, 2006 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 December 31,		Year ended December 31,	
	2007	2006	2007	2006
Net sales	$ 106,822	$ 123,112	$ 402,475	$ 441,034
Cost of sales	71,145	68,325	244,964	246,910
Gross profit	35,677	54,787	157,511	194,124
Operating expenses:				
Selling, general and administrative expense	21,625	24,488	90,972	93,110
Research and development expense	14,833	16,371	61,174	61,925
Amortization expense	2,014	4,016	10,250	16,045
Restructuring expense	4,752	—	6,726	—
Asset impairment charge	1,068	—	1,068	—
Write-off of purchased in-process technology	—	—	—	1,160
Other income, net	(13)	(329)	(618)	(572)
Operating (loss) income	(8,602)	10,241	(12,061)	22,456
Interest expense, net	757	685	3,013	4,268
Gain on extinguishment of debt	—	—	(738)	(330)
(Loss) income before income taxes and noncontrolling interest	(9,359)	9,556	(14,336)	18,518
Income tax provision	161	2,081	3,651	4,959
Noncontrolling interest	(146)	(151)	(628)	(1,358)
Net (loss) income	$ (9,374)	$ 7,626	$ (17,359)	$ 14,917
(Loss) income per common share:				
Net (loss) income per common share	$ (0.30)	$ 0.25	$ (0.56)	$ 0.49
Diluted net (loss) income per common share	$ (0.30)	$ 0.24	$ (0.56)	$ 0.48
Weighted average shares outstanding	31,128	30,859	31,020	30,492
Diluted weighted average shares outstanding	31,128	31,185	31,020	31,059

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

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Operating (loss) income	$ (8,602)	$ 10,241	$ (12,061)	$ 22,456
Adjustments:				
Amortization expense	2,014	4,016	10,250	16,045
Restructuring expense	4,752(1)	—	6,726(1)	—
Asset impairment charge	1,068(2)	—	1,068(2)	—
Inventory write-off	4,821(3)	—	4,821(3)	—
Write-off of purchased in-process technology	—	—	—	1,160(4)
Earnings before interest, income taxes and amortization excluding certain items ("EBITA")	4,053	14,257	10,804	39,661
Interest expense, net	757	685	3,013	4,268
Gain on extinguishment of debt	—	—	(738)(5)	(330)(6)
Adjustment to exclude gain on extinguishment of debt	—	—	738	330
Earnings excluding certain items before income taxes	3,296	13,572	7,791	35,393
Income tax provision at 35%	1,154	4,750	2,727	12,388
Noncontrolling interest, net of income tax provision at 35%	(95)	(98)	(408)	(279)
Earnings excluding certain items	$ 2,237	$ 8,920	$ 5,472	$ 23,284
Earnings excluding certain items per diluted share	$ 0.07	$ 0.29	$ 0.17	$ 0.75
Diluted weighted average shares outstanding	31,399	31,185	31,346	31,059

(1) During the fourth quarter of 2007, the Company recorded a restructuring charge of $4.7 million, consisting of $2.9 million of severance costs, and $1.8 million of commitments associated with discontinued product lines. In the second and third quarters of 2007, the company recorded an additional $2.0 million of severance costs, for a total restructuring charge for the full year of $6.7 million.

(2) During the fourth quarter of 2007, the Company recorded a $1.1 million asset impairment charge related to fixed asset write-offs associated with discontinued product lines.

(3) During the fourth quarter of 2007, the Company recorded a $4.8 million inventory write-off associated with discontinued product lines. This was included in cost of sales on the GAAP income statement.

(4) During 2006, the Company purchased a 19.9% interest in Fluens Corporation. During the third quarter of 2006, the Company finalized its purchase accounting for Fluens determining that Fluens is a variable interest entity and the Company is its primary beneficiary as defined by FIN46(R). As such, the Company has consolidated the results of Fluens' operations from the acquisition date. As part of that acquisition, the Company acquired $1.2 million of in-process technology, which was written off as of the acquisition date.

(5) During the second 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.

(6) During the first quarter of 2006, the Company repurchased $20.0 million aggregate principal amount of its 4.125% convertible subordinated notes. As a result of this repurchase, the Company recorded a gain from the early extinguishment of debt in the amount of $0.3 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
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	December 31, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 117,083	$ 147,046
Accounts receivable, net	75,207	86,589
Inventories, net	98,594	100,355
Prepaid expenses and other current assets	8,901	9,378
Deferred income taxes	2,649	2,565
Total current assets	302,434	345,933
Property, plant and equipment, net	66,142	73,510
Goodwill	100,898	100,898
Other assets, net	59,860	69,259
Total assets	$ 529,334	$ 589,600
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 36,639	$ 40,588
Accrued expenses	60,201	48,714
Deferred profit	3,250	251
Income taxes payable	2,278	2,723
Current portion of long-term debt	25,550	5,597
Total current liabilities	127,918	97,873
Deferred income taxes	3,712	2,423
Long-term debt	121,035	203,607
Other non-current liabilities	1,978	2,304
Total non-current liabilities	126,725	208,334
Noncontrolling interest	1,014	1,642
Shareholders' equity	273,677	281,751
Total liabilities and shareholders' equity	$ 529,334	$ 589,600

Veeco Instruments Inc. and Subsidiaries
Revenue and Bookings Analysis
(Unaudited)

Q4 2007 Revenue

Segment Analysis	$ Millions	%
Process Equipment	$ 71.0	66%
Metrology	35.8	34%
Total	***$ 106.8***	***100 %***

Market Analysis	%
Data Storage	39%
Semiconductor	4%
HB-LED/wireless	31%
Scientific Research	26%
Total	***100 %***

Regional Analysis	%
North America	33%
Europe	23%
Japan	11%
APAC	33%
Total	***100 %***

Q4 2007 Bookings

Segment Analysis	$ Millions	%
Process Equipment	$ 78.3	68%
Metrology	36.6	32%
Total	***$ 114.9***	***100 %***

Market Analysis	%
Data Storage	32%
Semiconductor	5%
HB-LED/wireless	36%
Scientific Research	27%
Total	***100 %***

Regional Analysis	%
North America	25%
Europe	37%
Japan	6%
APAC	32%
Total	***100 %***

Twelve Month 2007 Revenue

Segment Analysis	$ Millions	%
Process Equipment	$ 252.0	63%
Metrology	150.5	37%
Total	***$ 402.5***	***100 %***

Market Analysis	%
Data Storage	34%
Semiconductor	9%
HB-LED/wireless	28%
Scientific Research	29%

Total	***100 %***

Regional Analysis	%
North America	33%
Europe	19%
Japan	14%
APAC	34%
Total	***100 %***

Twelve Month 2007 Bookings

Segment Analysis	$ Millions	%
Process Equipment	$ 305.6	68%
Metrology	146.0	32%
Total	***$ 451.6***	***100 %***

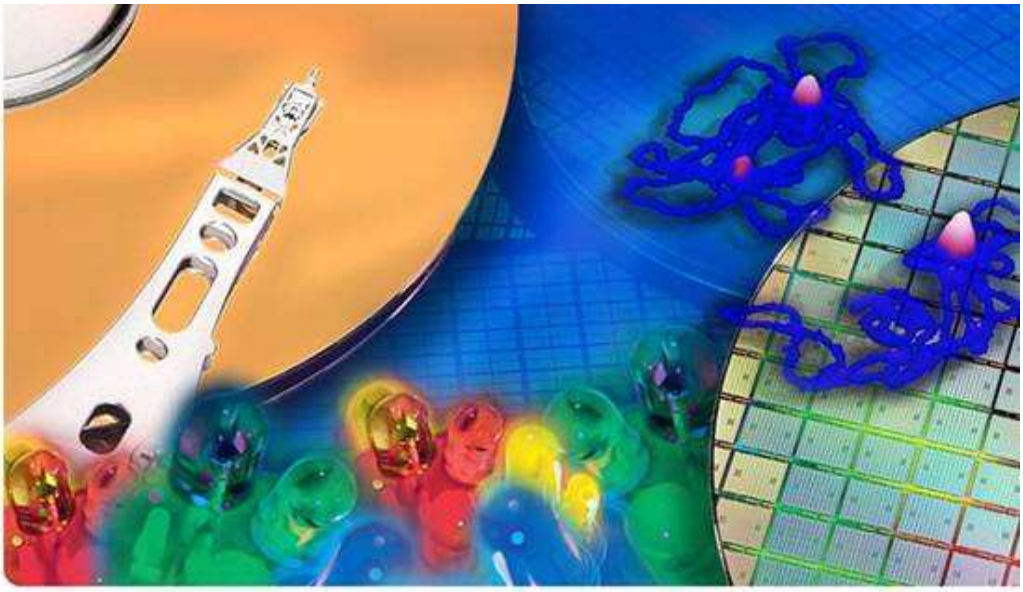
Market Analysis	%
Data Storage	32%
Semiconductor	7%
HB-LED/wireless	35%
Scientific Research	26%
Total	***100 %***

Regional Analysis	%
North America	33%
Europe	24%
Japan	11%
APAC	32%
Total	***100 %***

Exhibit 99.2

Veeco

Solutions for a nanoscale world.™



Q4 2007 Financial Results

February 11, 2008

Q4 and Full Year 2007 Financial Results

($M except EPS)

	Q4 '07	Q4 '06	2007	2006
Orders	**$114.9** (+5%)	$109.1	**$451.6** (-9%)	$493.8
Revenues	**$106.8** (-13%)	$123.1	**$402.5** (-9%)	$441.0
Gross Margin	**38%***	45%	**40%**	44%
Operating (Loss) Income	**($8.6)**	$10.2	**($12.1)**	$22.5
EBITA**	**$4.1**	$14.3	**$10.8**	$39.7
EPS (Non-GAAP)**	**$0.07**	$0.29	**$0.17**	$0.75

- 2007 revenues impacted by downturn in data storage (down 25%) and semiconductor markets (down 35%)
- Veeco's revenues in LED/Solar market grew 25% and scientific research grew 5%
- EBITA impacted by weak volume and GM declines

*Excludes $4.8M inventory write-off associated with restructuring. Reported gross margin is 33%
**See reconcilliation to GAAP at end of presentation

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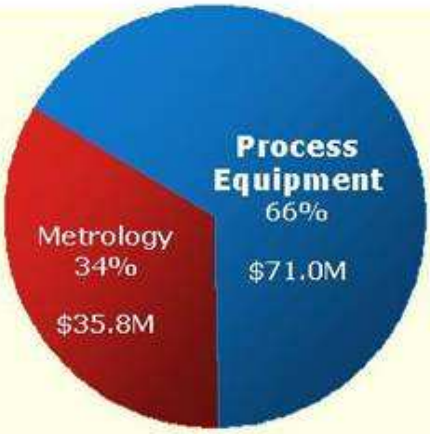
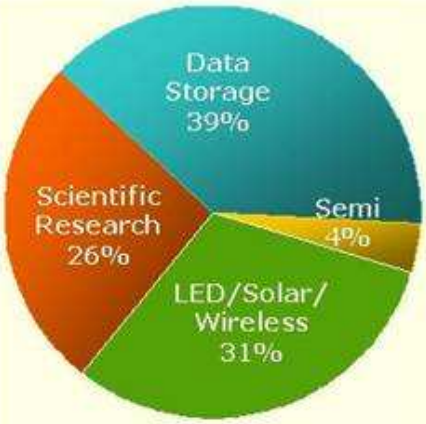
Q4 '07 Revenue Snapshot

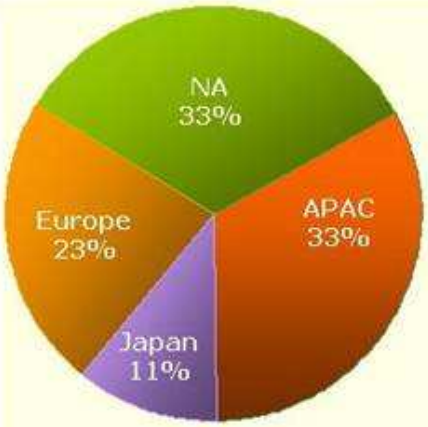
$106.8M Q4 '07 vs. $123.1M Q4 '06 (down 13%)



Revenue by Product



Revenue by Market

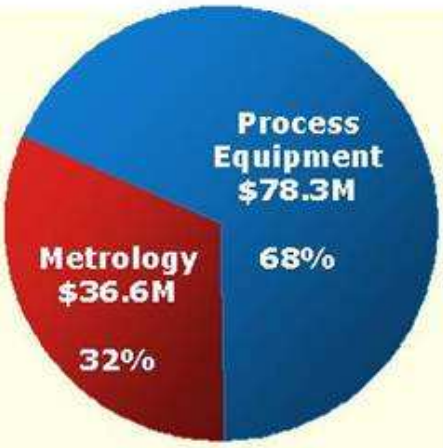


Revenue by Region

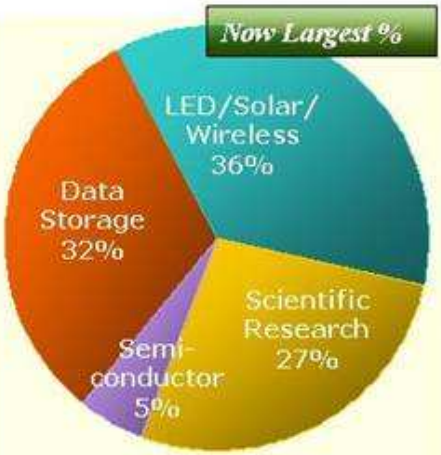
Veeco

Q4 '07 Order Snapshot

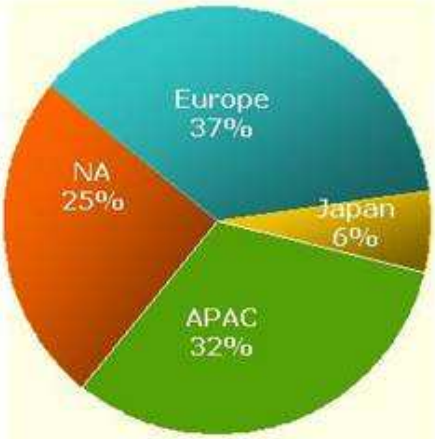
$114.9M Q4 '07 vs. $109.1M Q4 '06 (up 5%)



Orders by Product



Orders by Market



Orders by Region

Q4 '07 Profitability Analysis

- Gross profit was $40.5M, or 38% of sales (excluding $4.8M inventory write-offs associated with restructuring), compared to $54.8M, or 45% of sales in Q4 '06
  - GMs recovered from 36.7% in Q3 due to volume, price and mix improvements in Process Equipment. Volume declines in Auto AFM business led to declining gross margins in Metrology
- SG&A was $21.6M vs. $24.2M last year
- R&D - $14.8M compared to $16.4M last year
- Operating expenses totaled $36.4M, or 34% of sales, compared to $40.5M in Q4 '06 and $37.6M in Q3 '07.

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Q4 '07 Profitability Analysis…cont'd

- Amortization expense totaled $2.0M vs. $4.0M last year
- Restructuring and other expenses of approximately $10.6 million consisted of:
  - $4.7M restructuring ($2.9 M severance; $1.8M of commitments associated with discontinued product lines)
  - $1.1M of asset impairment charges associated with fixed asset write-offs related to discontinued product lines
  - $4.8M of inventory write-offs associated with discontinued product lines (included in GAAP income statement as part of cost of sales)
- Net loss was ($9.4M), or ($0.30) per share (GAAP), compared to net income of $7.6M, or $0.24 per share last year
- Earnings per share, excluding certain items, was $0.07 compared to $0.29 last year

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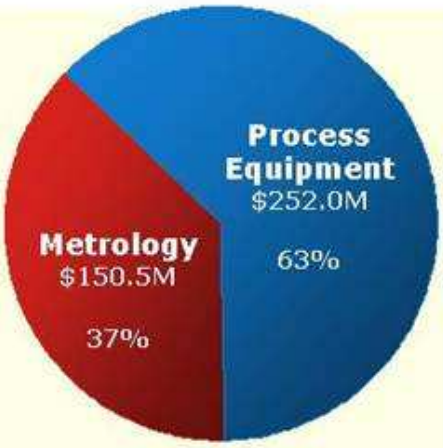
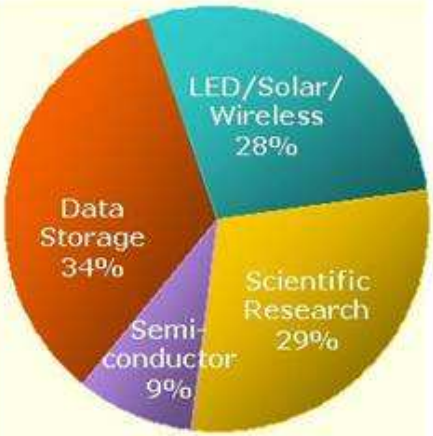
2007 Revenue Snapshot

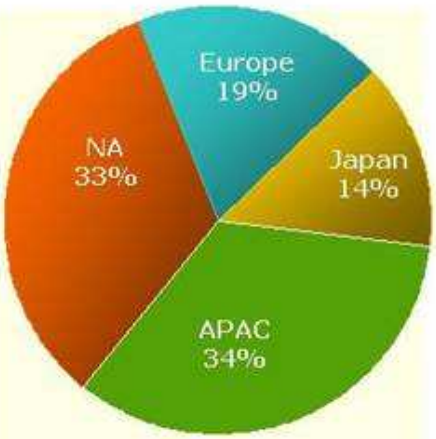
$402.5M '07 vs. $441.0M in '06 (down 9%)



Revenue by Product



Revenue by Market

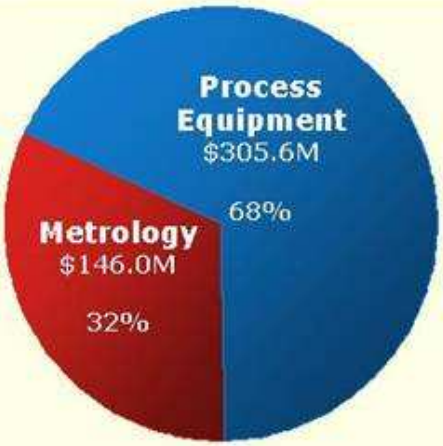


Revenue by Region

Veeco

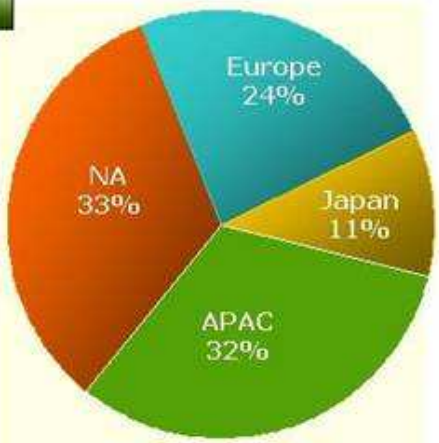
2007 Order Snapshot

$451.6M '07 vs. $493.8M '06 (down 9%)



Orders by Product

Orders by Market



Orders by Region

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2007 Profitability Analysis

- Gross profit was $162.3M, or 40% of sales (non GAAP basis), compared to $194.1M, or 44% of sales in 2006
- SG&A was $90.4M vs $92.5M in the prior year
- R&D was $61.2M compared to $61.9M in the prior year
- Operating expenses totaled $151.5M , or 38% of sales, compared to $154.5M in the prior year
- Amortization expense totaled $10.3M vs. $16.0M in 2006
- Restructuring and other expenses totaled $12.6M including severance, discontinued product lines, asset impairment and inventory write-offs
- Net interest expense totaled $3.0M vs $4.3M in 2006
- Net Loss was ($17.4M), or ($0.56) compared to $14.9M income, or earnings per share of $0.48 in 2006
- 2007 Earnings per share (excluding certain items) was $0.17 compared to $0.75 last year
- Backlog at 12/31/07 was $174M

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Veeco Balance Sheet

(in millions)	December 31, 2007	December 31, 2006
Cash and Investments	$117.1	$147.0
Working Capital	174.5	248.1
Fixed Assets, net	66.1	73.5
Total Assets	529.3	589.6
Long-Term Debt (including current portion)	146.6	209.2
Shareholder's Equity	$273.7	$281.8

During 2007, Veeco repurchased $56.0M of its 4.125% convertible subordinated notes. As a result of these repurchases, the amount of convertible subordinated notes outstanding was reduced to $144.0M. In addition, Veeco also completed the exchange of $118.8M aggregate principal amount of original notes to a new series of convertible notes due April 2012 with a conversion price $27.23 per share. Approximately $25.2M of "Old Notes" remain outstanding. These 2007 transactions have significantly improved Veeco's capital structure.

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Q1 '08 Outlook/Guidance

- Q1 '08 Revenues $98-105 million
- Q1 '08 Loss $(0.19)-($0.09) per share
- Non-GAAP EPS $0.00 - $0.06, excluding amortization of $2.0 and restructuring charges of $3.6 million (estimated), using a 35% tax rate
- Q1 2008 Orders $105-$112 million

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A Simpler Veeco

- Historically we have presented revenue, order and profitability for two product businesses (Process Equipment and Metrology)
- We also provide revenue and order for end markets (Data Storage, LED/Wireless/Solar, Semiconductor, Scientific Research)
- Going forward will report three market focused business segments
- Our Process Equipment business will be reported in two segments:
  - **Data Storage Process Equipment** – Ion Beam and Slider product lines
  - **LED & Solar Process Equipment** - MOCVD and MBE product lines
- We will continue to report **our Metrology & Instrumentation** business – Auto AFM, Nano-Bio AFM, Optical products for broad research and industrial applications
- Will no longer report "by market" data as it will be redundant given the business segmentation data

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Veeco's 2007 Results: Three Business Segments

2007 Revenues = $402 Million

2007 Bookings = $452 Million

Segment	07 Revs	% of Revenue
LED & Solar PE	$116m	29%
Data Storage PE	$136m	34%
Metrology	$150m	37%

Segment	07 Bookings	% of Bookings
LED & Solar PE	$164m	36%
Data Storage PE	$142m	31%
Metrology	$146m	33%

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Process Equipment Segment Data

	LED & Solar Process Equipment		Data Storage Process Equipment	
	2006	**2007**	**2006**	**2007**
Revenue ($m)	$94.2	$115.9	$174.7	$136.2
Gross Margin	30.4%	37.8%	44.1%	38.3%
EBITA ($m)	$2.0	$14.0	$26.4	$5.9

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Veeco's 2008 Growth Outlook

	2007 Veeco Revenue	2008 Revenue Growth Range*	2008 Veeco Revenue Range
LED & Solar Process Equipment	$116M	~20-25%	$140-145M
Data Storage Process Equipment	$136M	~0-5%	$137-143M
Metrology	$150M	~5-7%	$157-160M
Total Veeco	**$402M**	**~10% growth**	**~$440M**

**Based upon end market industry forecasts (Strategic Analytics, IDC) and Veeco Estimates*

Q4 '07 GAAP Reconciliation Table

	Three months ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Operating (loss) income	($8,602)	$10,241	($12,061)	$22,456
Amortization expense	2,014	4,016	10,250	16,045
Restructuring expense	4,752 (1)	-	6,726 (1)	-
Asset impairment charge	1,068 (2)	-	1,068 (2)	-
Inventory write-off	4,821 (3)	-	4,821 (3)	-
Write-off of purchased in-process technology	-	-	-	1,160 (4)
Earnings before interest, income taxes and amortization excluding certain items ("EBITA")	4,053	14,257	10,804	39,661
Interest expense, net	757	685	3,013	4,268
Gain on extinguishment of debt	-	-	(738) (5)	(330) (6)
Adjustment to exclude gain on extinguishment of debt	-	-	738	330
Earnings excluding certain items before income taxes	3,296	13,572	7,791	35,393
Income tax provision at 35%	1,154	4,750	2,727	12,388
Noncontrolling interest, net of income tax provision at 35%	(95)	(98)	(408)	(279)
Earnings excluding certain items	$2,237	$8,920	$5,472	$23,284
Earnings excluding certain items per diluted share	$0.07	$0.29	$0.17	$0.75
Diluted weighted average shares outstanding	31,399	31,185	31,346	31,059

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Q4 '07 GAAP Reconciliation Table (cont.)

(1) During the fourth quarter of 2007, the Company recorded a restructuring charge of $4.7 million, consisting of $2.9 million of severance costs, and $1.8 million of commitments associated with discontinued product lines. In the second and third quarters of 2007, the company recorded an additional $2.0 million of severance costs, for a total restructuring charge for the full year of $6.7 million.

(2) During the fourth quarter of 2007, the Company recorded a $1.1 million asset impairment charge related to fixed asset write-offs associated with discontinued product lines.

(3) During the fourth quarter of 2007, the Company recorded a $4.8 million inventory write-off associated with discontinued product lines. This was included in cost of sales on the GAAP income statement.

(4) During 2006, the Company purchased a 19.9% interest in Fluens Corporation. During the third quarter of 2006, the Company finalized its purchase accounting for Fluens determining that Fluens is a variable interest entity and the Company is its primary beneficiary as defined by FIN46(R). As such, the Company has consolidated the results of Fluens' operations from the acquisition date. As part of that acquisition, the Company acquired $1.2 million of in-process technology, which was written off as of the acquisition date.

(5) During the second 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.

(6) During the first quarter of 2006, the Company repurchased $20.0 million aggregate principal amount of its 4.125% convertible subordinated notes. As a result of this repurchase, the Company recorded a gain from the early extinguishment of debt in the amount of $0.3 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.

Q1 '08 Guidance Reconciliation Table

	Guidance for the Three months ended March 31, 2008	
	LOW	HIGH
Operating loss	($5,100)	($1,900)
Amortization expense	2,000	2,000
Restructuring expense	3,600	3,600
Earnings before interest, income taxes and amortization excluding certain items ("EBITA")	500	3,700
Interest expense, net	700	700
(Loss) earnings excluding certain items before income taxes	(200)	3,000
Income tax (benefit) expense at 35%	(70)	1,050
Noncontrolling interest, net of income tax provision at 35%	(130)	(130)
Earnings excluding certain items	$0	$2,080
Earnings excluding certain items per diluted share	$0.00	$0.06
Diluted weighted average shares outstanding	32,500	32,500

Note: The forecasted income tax expenses for the three months ending March 31, 2008 high end and low end guidance is $0.5 million and $0.4 million, respectively.

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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Safe Harbor Statement

To the extent that this presentation 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 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, 2006 and subsequent Quarterly Reports on Form 10-Q and current reports on Form 8-K. Veeco does not undertake any obligation to update 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.