

# VEECO INSTRUMENTS INC

## FORM 8-K

(Current report filing)

Filed 02/14/07 for the Period Ending 02/12/07

|             |   |
|-------------|---|
| Address     | TERMINAL DRIVE<br>PLAINVIEW, NY 11803                       |
| Telephone   | 516 677-0200  |
| CIK         | 0000103145  |
| Symbol      | VECO  |
| SIC Code    | 3559 - Special Industry Machinery, Not Elsewhere Classified |
| Industry    | Semiconductors  |
| Sector      | Technology  |
| Fiscal Year | 12/31   |

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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

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Date of Report (Date of earliest event reported): **February 12, 2007**

**VEECO INSTRUMENTS INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**0-16244**  
(Commission  
File Number)

**11-2989601**  
(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 7 - Regulation FD

### Item 7.01 Regulation FD Disclosure.

On February 12, 2007, in connection with its release of financial results for the quarter and year ended December 31, 2006, Veeco Instruments Inc. posted an updated version of its investor presentation to its website (www.veeco.com). A copy of this presentation is furnished as Exhibit 99.1 to this report.

The information in this report, including the exhibit, 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.

(c) *Exhibits* .

| <u>Exhibit</u> | <u>Description</u>  |
|----------------|---|
| 99.1           | Veeco Instruments Inc. - Investor Presentation dated February 12, 2007. |

## **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 14, 2007

By: /s/ Gregory A. Robbins

Gregory A. Robbins

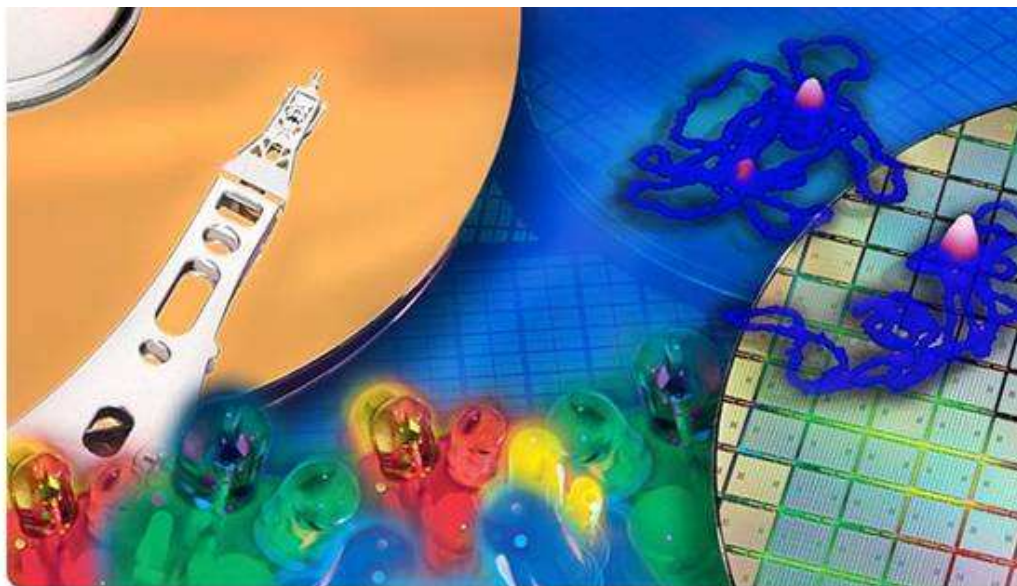
Senior Vice President and General Counsel

## EXHIBIT INDEX

| <u>Exhibit</u> | <u>Description</u>  |
|----------------|---|
| 99.1           | Veeco Instruments Inc. - Investor Presentation dated February 12, 2007. |



Solutions for a nanoscale world.™



## **Investor Presentation**

February 12, 2007

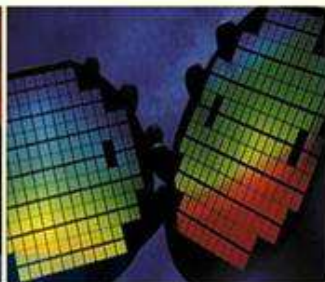
# Veeco Provides Enabling Technology in Process Equipment and Metrology for Multiple Growth Markets

## Data Storage



Embedded Storage for CE  
Microdrives / Femto TFMH  
Perpendicular recording

## Semiconductor



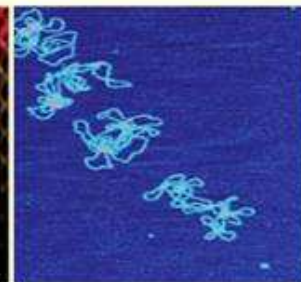
90 and 65nm  
300mm

## HB-LED Wireless



HB-LED / Wireless,  
Automotive, Camera Cell  
Phones, Backlit LCD TV

## Scientific Research



Nanotech, Material &  
Life Science

# Veeco's Strategy For Growth

- Offer a **broad product line** of well differentiated enabling Process Equipment and Metrology technologies
- Establish **strategic relationships** with technology leaders worldwide
- Capture **leading market share** in all product lines
- Leverage our exposure to **high-growth end markets**
- Fuel our growth through internal **development of multi generational new products** aligned to our customers' new technology strategic roadmaps
- Continually **improve our operations** to remain profitable through industry cycles

**WE BELIEVE THERE IS A MULTI-HUNDRED MILLION DOLLAR GROWTH OPPORTUNITY FOR VEECO EXISTING IN THE TECHNOLOGIES WE OWN TODAY**



## 2006 Highlights

- 2006 Revenue \$441M up 8%; EBITA up 38% from 2005
- 2006 Bookings \$493.8M, up 22% from 2005
- Gross Margin improvement continues; up 200 basis points to 44% in 2006
- EPS (excluding certain items) \$0.74 vs. \$0.46, up 61% vs 2005
- Increased revenue and profitability in each quarter of 2006
- Continued strong cash generation
- All Veeco business units profitable in Q3 and Q4
- Increased market share; strong pipeline of new products
- Broadened Veeco product line in Process Equipment (PVD, ALD, Slider, MOCVD, BioAFM). Expect > \$200M of new product revenue in 2007.
- Improved worldwide Distribution and Service organization
- Named senior Veeco executive, Benjamin Loh, to newly created position of Executive VP, Worldwide Field Operations (Sales & Service)

# Veeco 2006 Multi-Market Growth...

## Double Digit Growth in Data Storage and HB-LED/Wireless

### Double digit growth in Data Storage and HB-LED/Wireless

|                            |   | 2005 Veeco<br>Revenue | 2006 Veeco<br>Revenue |             |
|----------------------------|---|-----------------------|-----------------------|-------------|
| <b>Data Storage</b>        | <b>Perpendicular Recording</b><br>technology & consumer electronics require new Veeco Equipment & Metrology | <b>\$167M</b>         | <b>\$184M</b>         | <b>+10%</b> |
| <b>HB-LED/Wireless</b>     | <b>Brightness Roadmap</b> for new LCD-TV backlighting requires new MOCVD tools                              | <b>\$63M</b>          | <b>\$89M</b>          | <b>+42%</b> |
| <b>Semi-conductor</b>      | <b>3D Metrology</b> required as dimensions shrink below 90nm  | <b>\$69M</b>          | <b>\$58M</b>          | <b>-17%</b> |
| <b>Scientific Research</b> | <b>Nanoscale Research</b> requires atomic instrumentation   | <b>\$111M</b>         | <b>\$111M</b>         | <b>Flat</b> |
|                            |   | <b>\$410M</b>         | <b>\$441M</b>         | <b>+8%</b>  |

# We Have Strategic Relationships With Global Technology Leaders & Strong Market Share

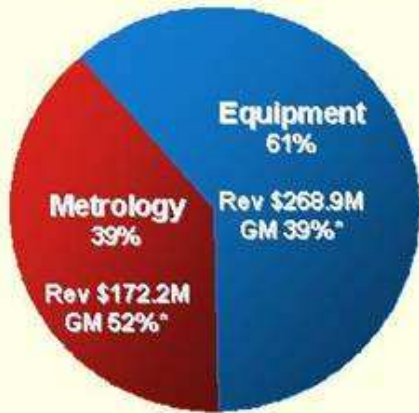
## STRONG MARKET SHARE

## SERVING GLOBAL INDUSTRY LEADERS

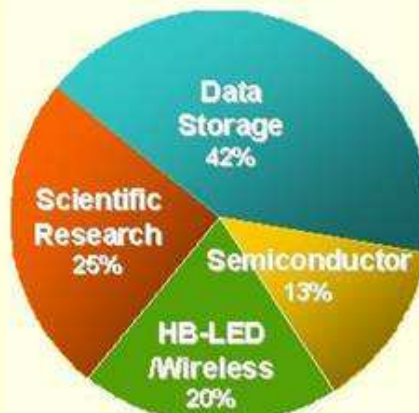
|  |   |
|--|---|
| <b>Data Storage</b><br><b>#1 TFMH Equipment</b>              |     <br> <br>HDD<br>COMPANIES WHO MAKE TFMHS   |
| <b>HB-LED / Wireless</b><br><b>A Leader in MOCVD and MBE</b> |     <br>   <br>    |
| <b>Semiconductor</b><br><b>#1 AFM, Leader Optical</b>        |     <br>    <br> |
| <b>Scientific Research</b><br><b>#1 Research AFM</b>         |   <br> <br>THOUSANDS OF CUSTOMERS  |

# Veeco Has Diverse... Multi-Product...Multi-Market...Worldwide Exposure

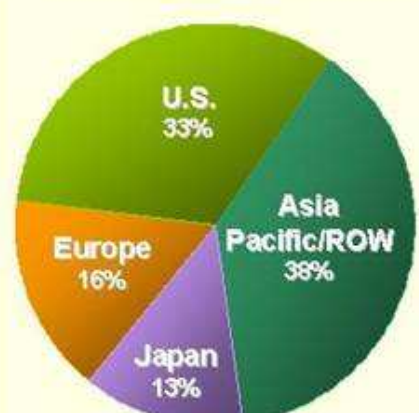
2006 **REVENUE** \$441M up 8%



**Revenue by Product**  
Equipment up 18%  
Metrology down 6%



**Revenue by Market**  
Data Storage up 10%  
HB-LED/Wireless up 42%



**Revenue by Region**  
APAC/ROW growth 34%

**Veeco benefits from product, market and geographic diversity**

\*Note: GMs are approximate  
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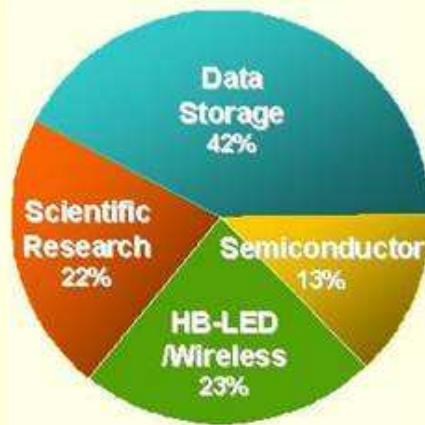


# Veeco Has Diverse... Multi-Product...Multi-Market...Worldwide Exposure

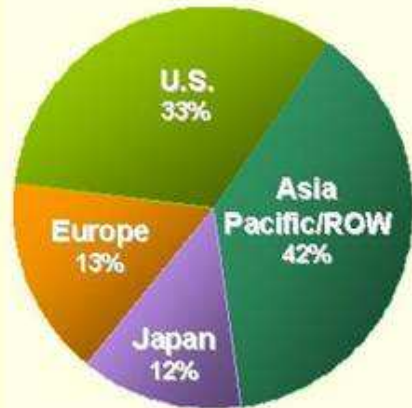
2006 **ORDERS** \$494M; up 22%



**Orders by Product**  
Equipment up 38%  
Metrology up 2%



**Orders by Market**  
Data Storage up 26%  
HB-LED/Wireless up 78%



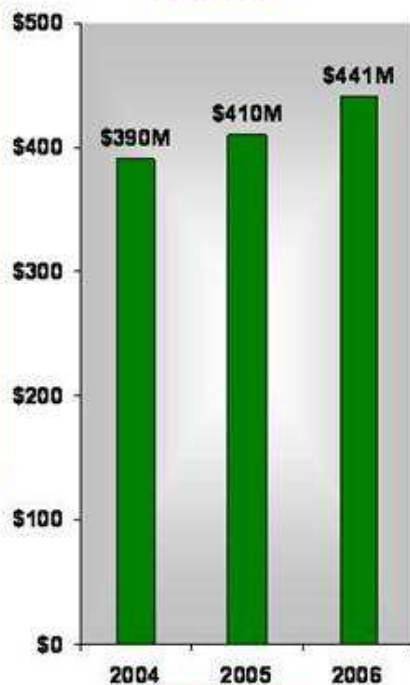
**Orders by Region**  
APAC/ROW growth 53%

**Veeco benefits from product, market and geographic diversity**

## **Veeco's Financial Model**

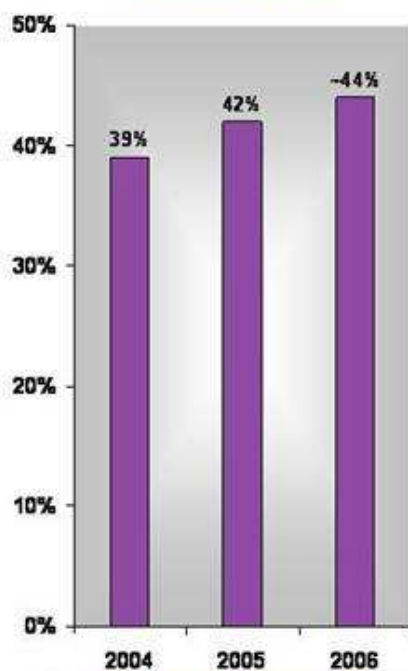
# 2006 Continued Growth in... Revenue, Margins and EBITA

## Revenue



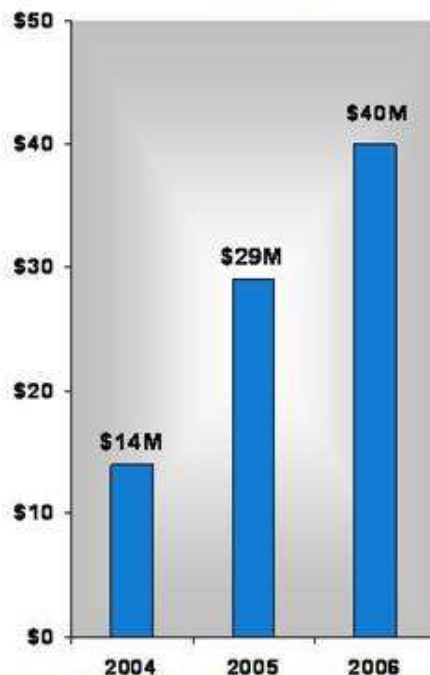
**2006 Revenue  
Growth +8%**

## Gross Margin



**Gross Margin Improvement  
+200 Basis Points Per Year**

## EBITA\*



**EBITA Growth Greater than  
30% for Year**

\*EBITA calculation = earnings before interest, taxes and amortization... see reconciliation table  
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## Continued Initiatives...

### Improve Margins, Operational Excellence, Reduced Cycle Times

- Simplify Veeco operational organization around a single Process Equipment and a single Metrology senior management structure with emphasis on:
  - Development of common hardware/software platforms
  - Increased outsourcing content of new products
  - Shorter manufacturing cycles ...less inventory ...improved reliability
  - Supply chain management ...reduced number of vendors
- Implement SAP across all Veeco divisions to eliminate redundant support functions.
- Operational excellence to include inventory reduction, capex reduction, DSO management and cash generation ...best practices across all of Veeco



# Veeco's 2006 Growth Opportunity...

## Increased Revenues and Gross Margins



Revenue and margin growth opportunities in both Equipment and Metrology

# Improved Financial Performance in Trough and Peak Quarters

|                     | Trough Quarter |           |             | Peak Quarter |           |             | Target           |
|---------------------|----------------|-----------|-------------|--------------|-----------|-------------|------------------|
|                     | Equipment      | Metrology | Total Veeco | Equipment    | Metrology | Total Veeco |                  |
| <b>Gross Margin</b> | 38%            | 51%       | 44-45%      | 40%          | 53%       | 44-46%      | 46-48%           |
| <b>Oper Expense</b> |                |           | 39%         |              |           | 34%         | 32%              |
| <b>EBITA</b>        | 4%             | 14%       | 6%          | 12%          | 16%       | 10-12%      | 14-17%           |
| <b>Revenue</b>      | \$53M          | \$41M     | \$94M       | \$80M        | \$45M     | \$125-135M  | ~\$135 to \$145M |

Earn 5 to 6% in Trough quarters (\$90 – 95M)

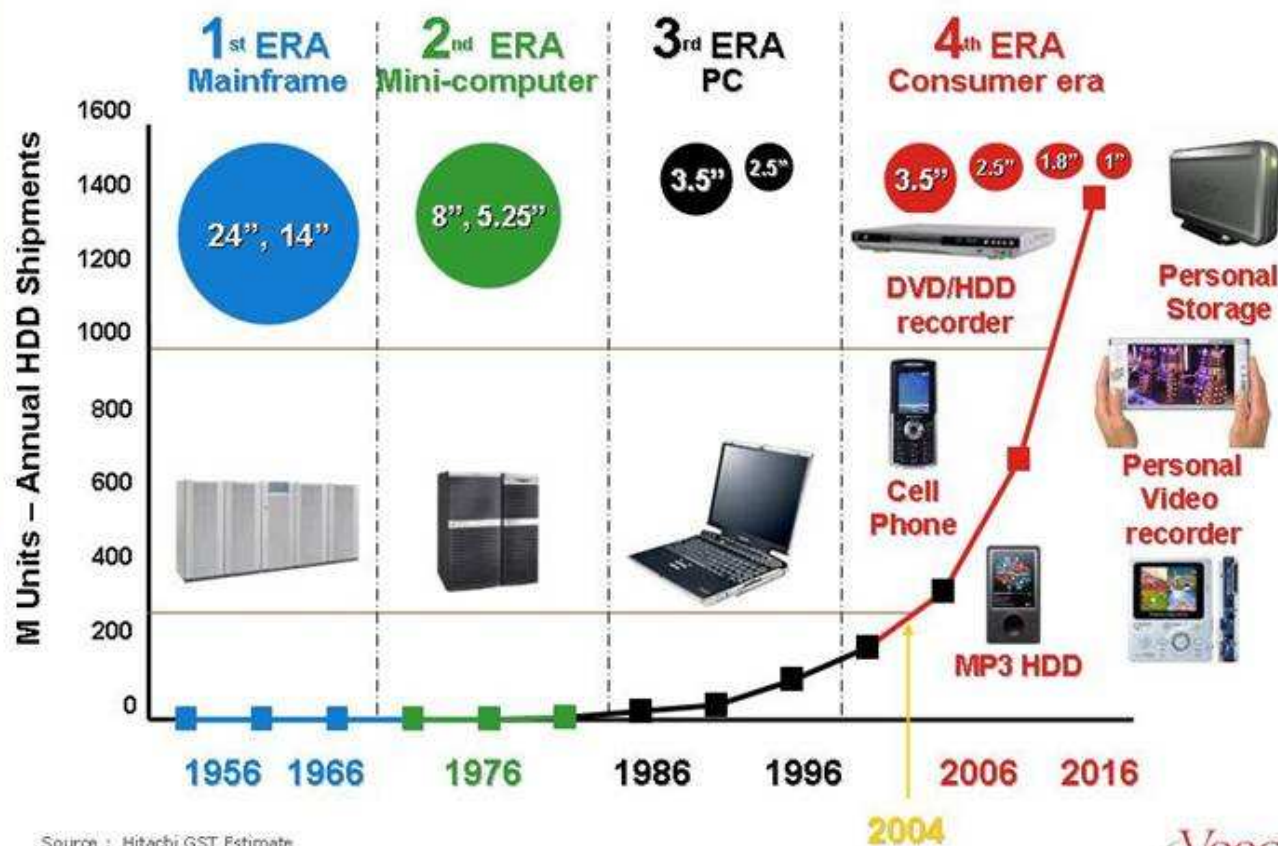
Earn 10 to 12% in Peak quarters (\$125 – \$135M)  
Earn 14 – 17% at Target Revenue (\$135M - \$145M)

## Q1 2007 GUIDANCE (February 12, 2007)

- Q1 revenues to be in the range of \$95 - \$105 million.
- Q1 orders to be in the range of \$110 million +/- 5% .
- Q1 2007 GAAP in the range of (\$0.10) to \$0.03 per share.
- Q1 2007 non-GAAP (excluding amortization and the \$0.6 million gain on the repurchase of our convertible notes) earnings per diluted share are expected to be between \$0.02 to \$0.10 using a 35% tax rate, including options expense.

## **Data Storage Opportunity**

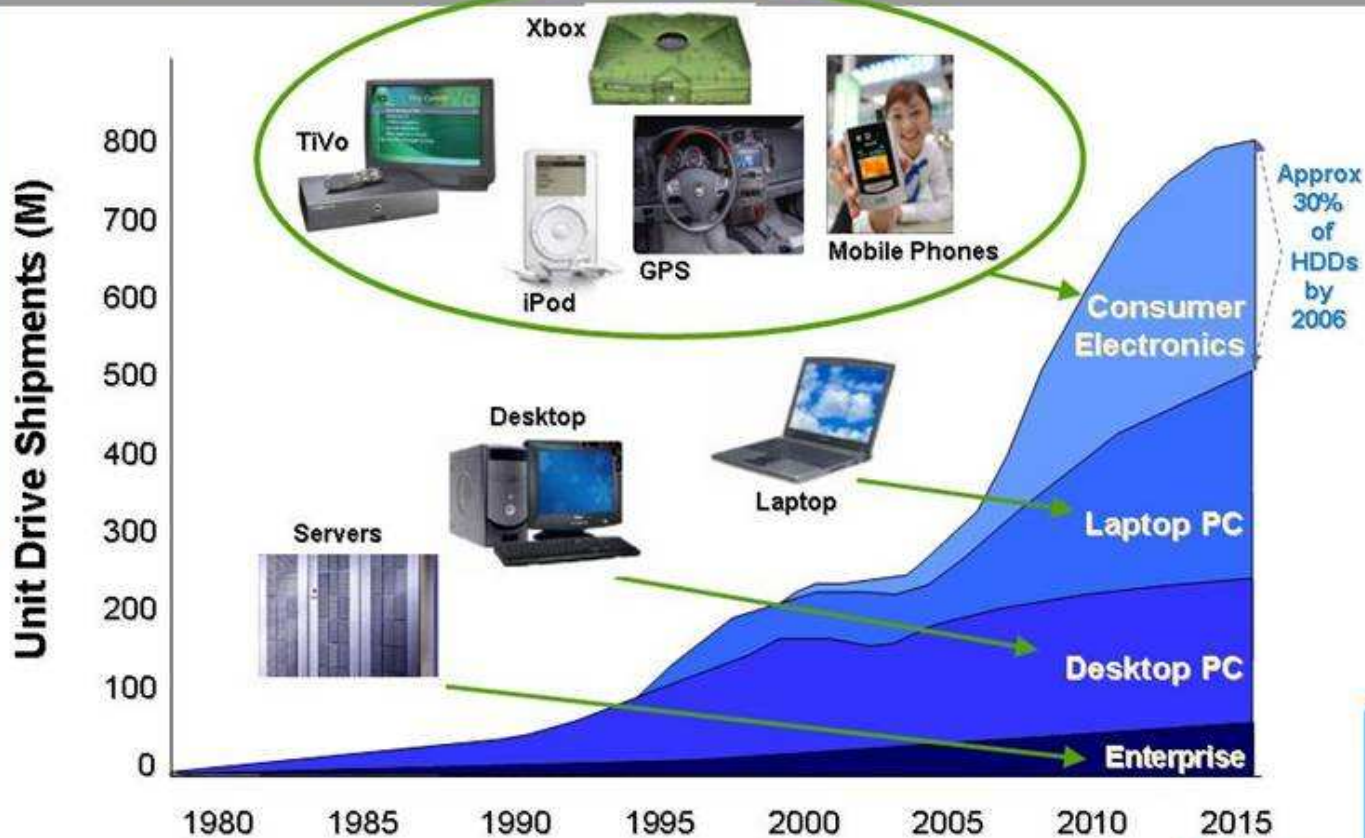
# Consumer Applications Enable Dramatic Hard Drive Growth... Unit Growth to Double



Source : Hitachi GST Estimate  
021207 Investor Presentation  
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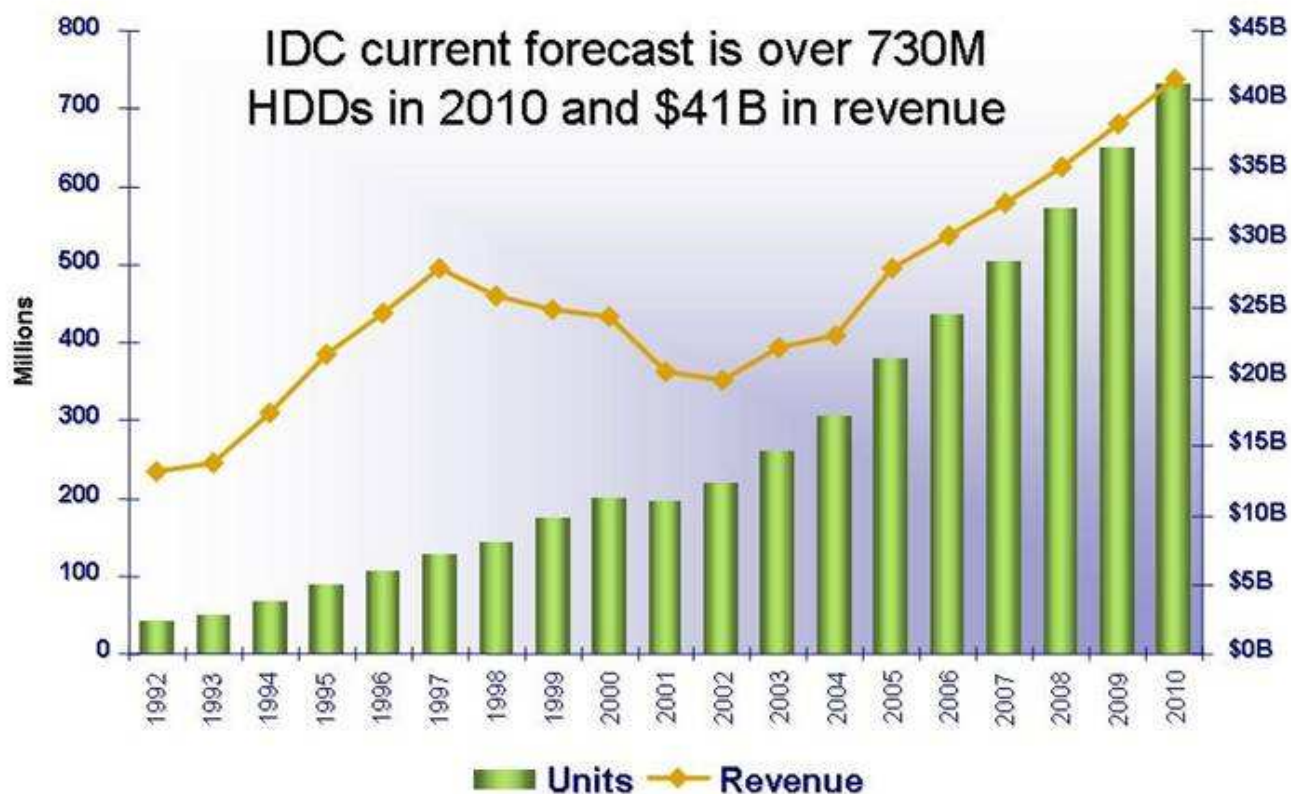
# Data Storage...

**Hard Disk Drive Unit >20% CG... Consumer Electronics Segment Will Approach Size of Computer Market Segment**





## Record Breaking Years Lie Ahead

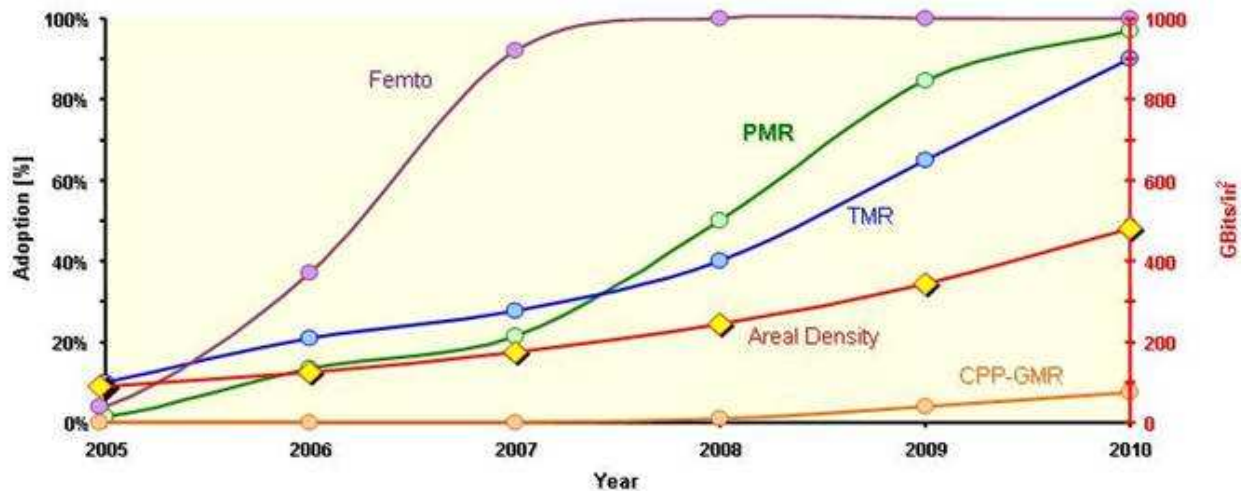


Source: IDC, Storage Mechanisms - Disk  
021207 Investor Presentation  
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# Technology Advances to Meet Market Requirements... Requires Continued Investment

Rapid adoption of **PMR** and **TMR** technology and transition to **Femto** sliders

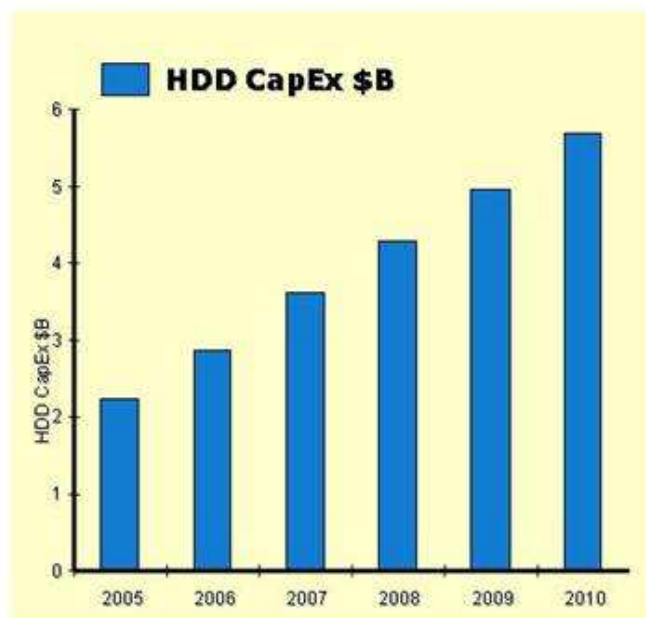
**Areal Density**  
Growth 125 to 500 Gbits/in<sup>2</sup>



**Femto, PMR and TMR technologies have stringent requirements for Process Equipment and Metrology**



# Data Storage Capital Intensity Increases... 10% of HDD Revenue



## HDD CapEx % of Revenue\*

| Year              | Total HDD Revenue | HDD CapEx \$B | HDD CapEx % of Revenue |
|-------------------|-------------------|---------------|------------------------|
| 2005              | \$28.1 B          | \$2.23 B      | 7.9%                   |
| 2006              | \$32.4 B          | \$2.87 B      | 8.9%                   |
| 2007              | \$36.6 B          | \$3.62 B      | 9.9%                   |
| 2008              | \$41.5 B          | \$4.29 B      | 10.3%                  |
| 2009              | \$47.7 B          | \$4.96 B      | 10.4%                  |
| 2010              | \$53.6 B          | \$5.68 B      | 10.6%                  |
| Total (2006-2010) | \$211.9 B         | \$21.45       | 10.1% (avg.)           |

\*Source: Tom Coughlin, Coughlin Associates  
021207 Investor Presentation  
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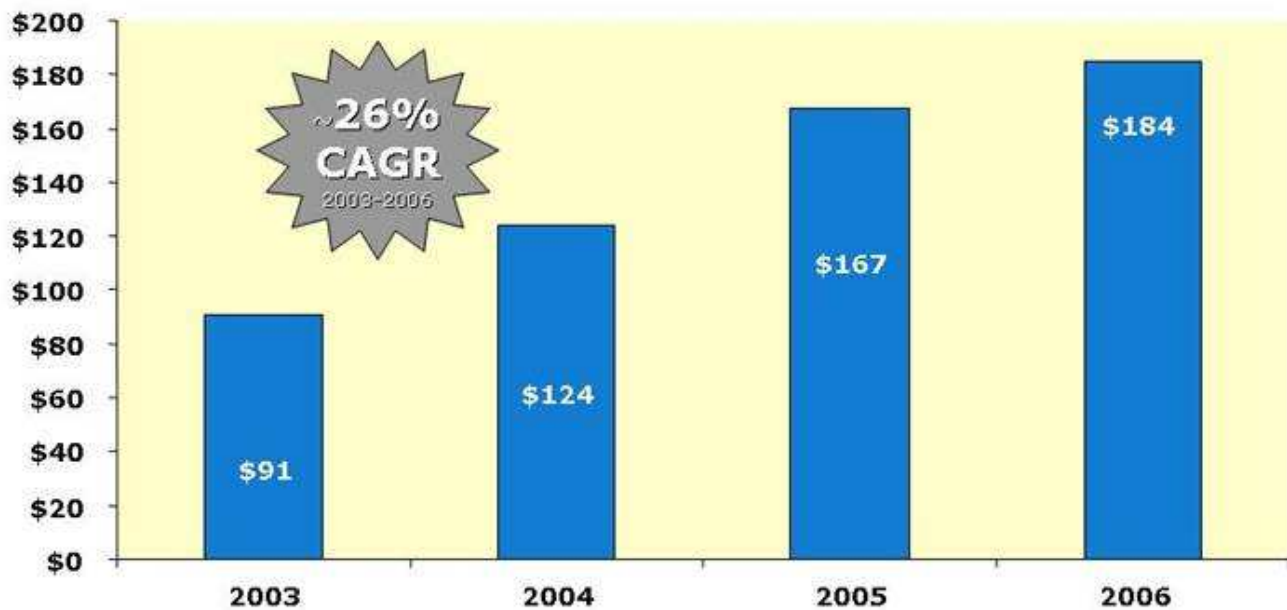
# Data Storage Multi-Year Growth in New Technology and Capacity... Provides Veeco with Continued Growth

| <b>Technology</b> (units)           |              |               | <b>2005</b>  | <b>2006</b>   | <b>2007</b>  | <b>2008</b> | <b>2009</b> | <b>CAGR</b> |
|-------------------------------------|--------------|---------------|--|---|--|-------------|-------------|-------------|
| <b>TFMH (M) Growth</b>              |              |               | 1232   | 1532  | 1787   | 1898        | 2076        | 12%         |
| <b>PMR Content</b>                  |              |               | 3%   | 14%   | 30%  | 60%         | 90%         |             |
| <b>Femto Content</b>                |              |               | 10%  | 30%   | 80%  | 100%        |             |             |
| <b>Larger Wafer<br/>150mm/200mm</b> |              |               |  |   |  | 10%         | 30%         |             |
| <b>Veeco<br/>Revenue</b>            | <b>2003</b>  | <b>2004</b>   | <b>2005</b>  | <b>2006</b>   |  |             |             | <b>CAGR</b> |
|                                     | <b>\$90M</b> | <b>\$123M</b> | <b>\$167M</b>  | <b>\$184M</b>   |  |             |             | <b>~26%</b> |
| <b>Market Conditions</b>            |              |               | <ul style="list-style-type: none"> <li>Areal density growth 30% per year GMR</li> <li>Flash emerges</li> </ul> | <ul style="list-style-type: none"> <li>TMR higher areal density growth</li> <li>Consumer electronics</li> <li>Seagate / Maxtor</li> </ul> | <ul style="list-style-type: none"> <li>Perpendicular recording / Areal density growth</li> <li>Femto sliders/200mm wafers</li> <li>Continued CE &amp; mobile growth</li> </ul> |             |             |             |
| <b>New Veeco Products</b>           |              |               |  | <ul style="list-style-type: none"> <li>New Nexus</li> <li>IBE / IBD / DLC</li> <li>Optical Profiler</li> </ul>                            | <ul style="list-style-type: none"> <li>New Slider tools (saws/lapping)</li> <li>New PVD / ALD deposition</li> <li>Advanced Metrology Auto AFM</li> </ul>                       |             |             |             |

Source Trend Focus 8/2006  
021207 Investor Presentation  
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## Veeco HDD Strong Y/Y Growth Trends... Quarters Remain Volatile

### Veeco HDD Revenues (\$M)



- **Veeco to Continue our Commitment to HDD**
- **Well Positioned to Remain the TFMH Equipment Industry Leader**

# Veeco... A Strategic Partner in Every Step of the Manufacturing Process

Veeco: in every step of your TFMH process.



Process Equipment



Metrology



Our strategy has been to provide tool and process technology, improved productivity, and a broad range of products to be the world-wide strategic supplier to the TFMH industry.

## Data Storage Current Market Conditions

- Q3 and Q406 slowdown in new purchases as Customers digested equipment orders from Veeco in first half 2006.
- Customers remain committed to technology programs, specifically PMR...Femto...early investment in wafer size change.
- "Consumables" pick-up indicates tight capacity (Equipment utilization over 90%) at key customers.
- 2007 continued double digit Veeco growth opportunity...expect order rate pick-up by Q2.

## **HB-LED/Wireless Opportunity**



# Early Stage, High-Growth Opportunity

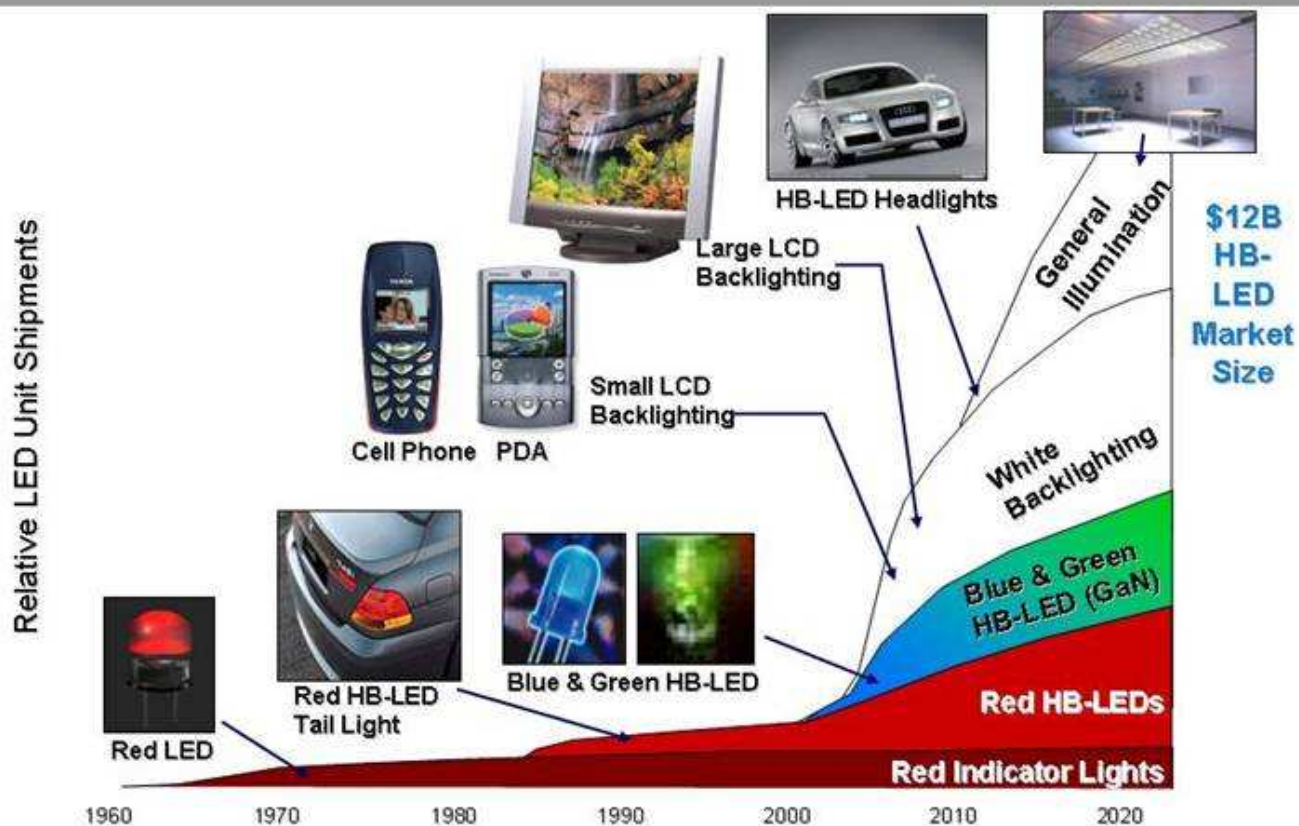
- LED market opportunity in its infancy – traffic lights, key pads, LCD monitors
- We have key enabling technology, MOCVD
- Each LED generation requires new MOCVD equipment
- Our focus on process technology development, support and strategic customer relationships



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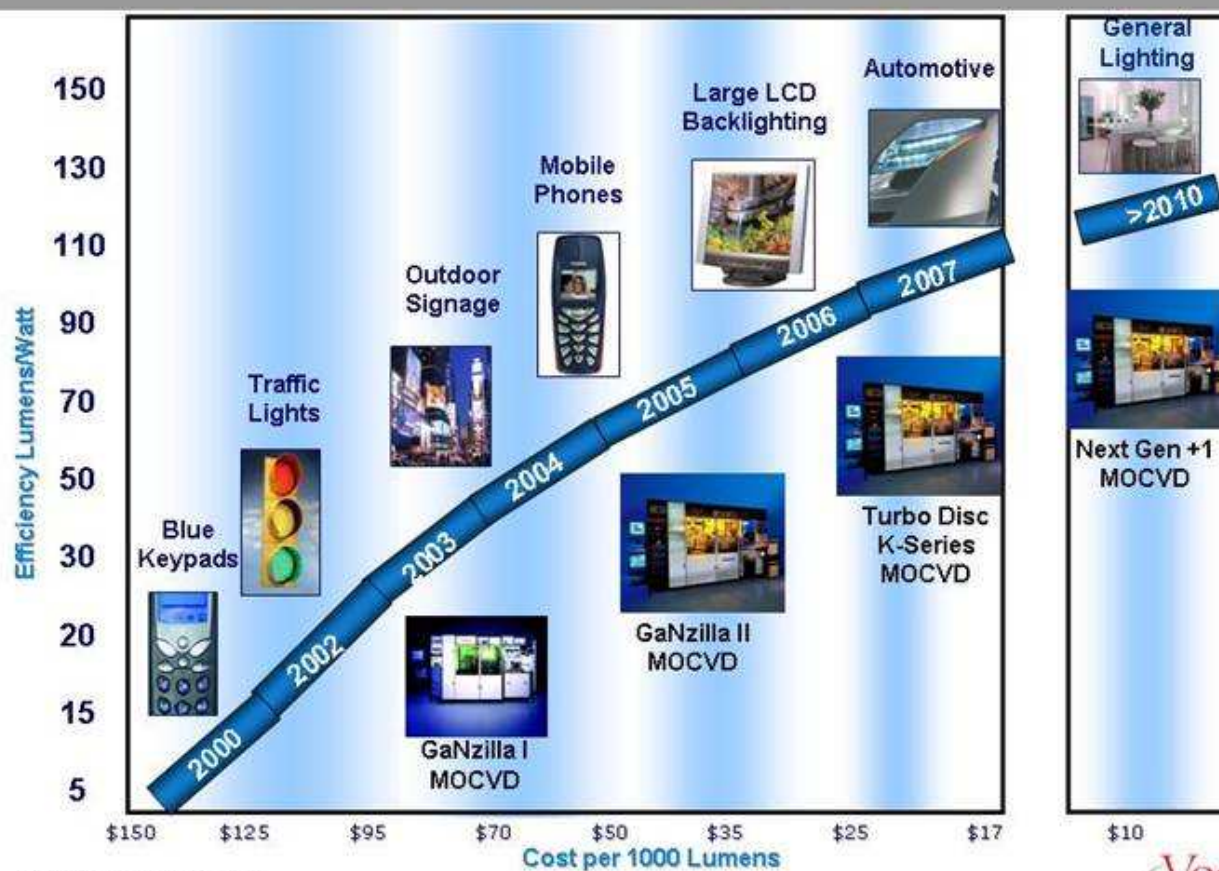
# Solid State Lighting Growth Opportunity...

## Red, Green, Blue HB-LED / Wireless >20% CAGR





# Brightness and Cost Improvements Drive Growth



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# Multi Year HB-LED/Wireless Growth...Driven By "White LED" Penetration of LCD TV, Automotive & Architectural Lighting

|   | 2004        | 2005   | 2006   | 2007  | 2008  | 2009                  | CAGR        |
|---|-------------|--|--|---|---|-----------------------|-------------|
| <b>LED Units<sup>(1)</sup></b>                | <b>10B</b>  | <b>12.5B</b>   | <b>15B</b>   | <b>18B</b>  | <b>21B</b>  | <b>25B</b>            | <b>+20%</b> |
| <b>Flat Panel Backlit Units<sup>(2)</sup></b> | <b>138M</b> | <b>215M</b>  | <b>264M</b>  | <b>308M</b>   | <b>353M</b>   | <b>395M</b>           | <b>+23%</b> |
| <b>LED - Backlit Penetration</b>              |             | <b>0.2%</b>  | <b>1.0%</b>  | <b>3.5%</b>   | <b>9.0%</b>   | <b>13.0%</b>          |             |
| <b>Veeco CS Revenue</b>                       |             | <b>\$65M</b>   | <b>\$85M</b><br>+30 to 35%   | <b>\$115M</b><br>+30%   | <b>\$150M</b><br>30%  | <b>\$175M</b><br>+15% | <b>27%</b>  |
| <b>Market Applications</b>                    |             | <ul style="list-style-type: none"> <li>▪ Mobile phones</li> <li>▪ Outdoor signs</li> <li>▪ Traffic lights</li> </ul> | <ul style="list-style-type: none"> <li>▪ Camera flash</li> <li>▪ Backlit laptops</li> <li>▪ Auto lighting</li> </ul> | <ul style="list-style-type: none"> <li>▪ Backlit LCD TV</li> <li>▪ Auto headlights</li> <li>▪ Architectural lighting</li> </ul> | <ul style="list-style-type: none"> <li>▪ Specialty interior lighting</li> <li>▪ General illumination</li> </ul> |                       |             |

\* For emerging applications such as signs/displays, signals, automotive and illumination.

(1) Source: Strategies Unlimited

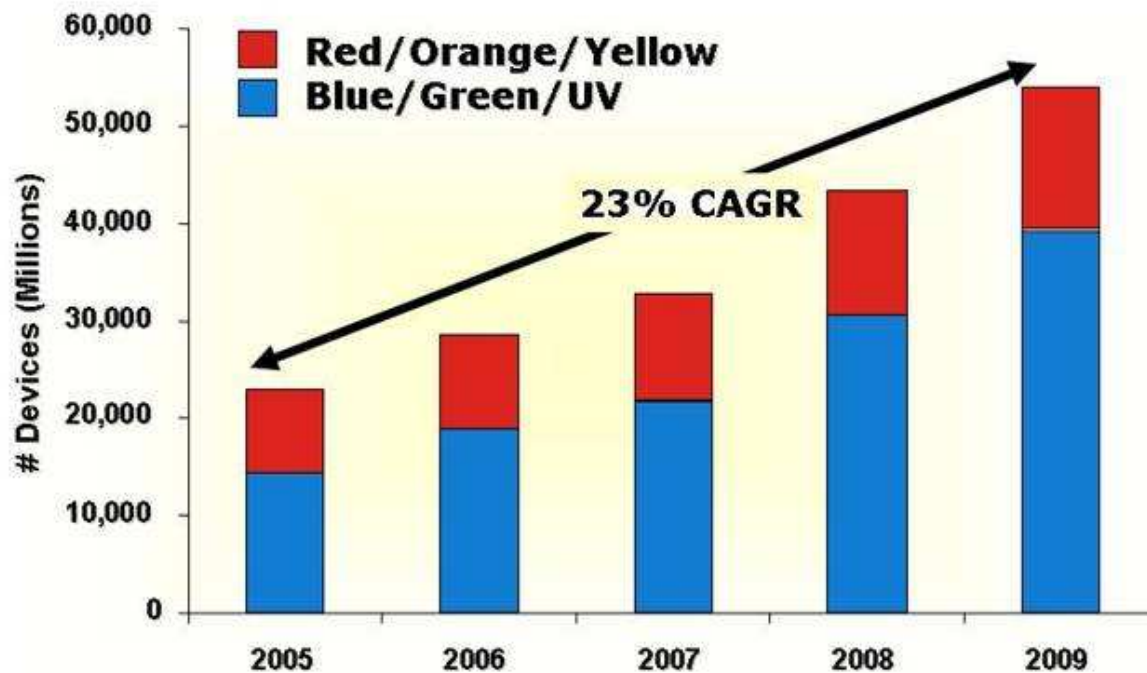
(2) Source: Display Search

021207 Investor Presentation

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## Multi-Year Growth Opportunity...

### HB-LED Units Forecast: 23% CAGR



Source: Strategies Unlimited and Veeco Estimates  
021207 Investor Presentation  
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# HB-LED Opportunity...

## Multi-Year Equipment Growth From Increased Adoption

Mobile  
Appliances



Cell Phones  
PDAs  
Flashlights

Outdoor  
Signage



Large Displays  
Traffic Signals  
Storefront Lighting

LCD  
Backlighting



Flat Panel TVs  
Laptops  
Retail Displays

Automotive  
Lighting



Headlamps  
Dashboards  
Displays

General  
Illumination



Architectural  
and General  
Illumination

2006-2007 GROWTH OPPORTUNITY



## Emerging Applications... First Wave Small Panel Displays ('06/'07 MOCVD)

### HB-LEDs are capturing small panel display backlighting

- Cost and brightness now meet requirements
- Replaces CCFL backlight, no mercury
- Provide weight, power and panel thickness advantage

**"Every small LCD panel maker in Taiwan is qualifying HB-LED backlighting now"**

– Taiwan HB-LED Mfg.



**GaNzilla II Meets Cost and Performance Requirements**

**LEDs provide "slimmer and more efficient" LCDs**

## Emerging Applications...

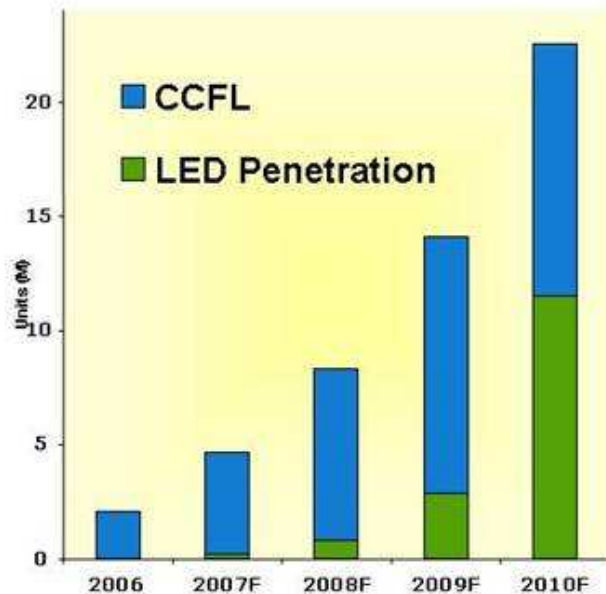
### Second Wave TV Backlighting ('08/'09 MOCVD)

- **Adoption driver: color quality, depth, contrast**
- **Cost competitive LED backlighting expected for 32" LCD TV in 2007 – sooner than expected**
- **CCFL covers 85% of NTSC color gamut...LEDs cover 105%**



\*Source: Insight Media, DigiTimes.com, Press Release, May 26, 2006  
021207 Investor Presentation  
©2006 Veeco Instruments Inc.

**Backlighting Unit Shipment  
Forecast 40-44" LCD TV Segment**



*Veeco*



## LEDs Catching Up To Traditional Light Sources

|                                | ✓<br><b>Efficiency<br/>Lumens/Watt</b> | <b>Cost per<br/>1K Lumens</b> | ✓<br><b>Useful<br/>Life Hours</b> |
|--------------------------------|--|-------------------------------|-----------------------------------|
| <b>LED</b>                     | <b>Production: 50<br/>Lab: 150</b>     | <b>\$50</b>                   | <b>35,000</b>                     |
| <b>Incandescent</b>            | <b>15</b>                              | <b>\$1</b>                    | <b>1,000</b>                      |
| <b>Compact<br/>Fluorescent</b> | <b>50</b>                              | <b>\$5</b>                    | <b>10,000</b>                     |

Sources: US DOE PNNL-SA-45784, Company Press Releases  
021207 Investor Presentation  
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# Latest Developments in HB-LEDs

- Samsung unveils 40 inch LED backlit LCD TV
- Audi announces R8 w/ LED headlights by end of 2007
- Wal-Mart installing LEDs in 500 stores, \$2.6M/year saved
- Samsung launches 20-inch LCD monitor w/ LED BLU
- Samsung says all LCD monitors will be LED-based by 2008
- Nichia achieves 150lm/W (1.7x efficiency of Fluorescent)
- TI introduces LED-backlit DLP RPTV
- LG's introduces battery powered LED projector @ 100lm
- Apple & HP to launch notebooks w/ LED BLU's by Q2'07



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## LED Advances Drive Need for MOCVD Improvements

|                              | 2006  | 2007   | 2009     |
|------------------------------|-------|--------|----------|
| <b>LED Requirement</b>       |       |        |          |
| <b>Lumens/Watt</b>           | 65-85 | 80-100 | 120-145  |
| <b>\$/1K Lumens Standard</b> | 17    | 8      | 3        |
| <b>\$/1K Lumens Power</b>    | 50    | 25     | 10       |
| <b>MOCVD Requirement</b>     |       |        |          |
| <b>Film Uniformity</b>       | 2.5nm | 2nm    | 1.5nm    |
| <b>Wafer Sizes</b>           | 2"    | 2, 4"  | 2, 4, 6" |
| <b>Consumable Cost/Wafer</b> | \$17  | \$8    | \$4      |
| <b>Automation Level</b>      | Batch | Batch  | Wafer    |

New MOCVD Capability Required with Each LED Generation

# Introduced Next-Generation K-Series MOCVD Production Platform

## K-Series Platform

- Received orders in Q4 for 5 K-Series; Total = \$10 million.
- Modular, upgradeable platform
- Common across GaN & As/P product lines
- Only platform capable of continuous operation
- More runs per day than any other platform

## K465 Features

- Our most advanced reactor technology
  - Better uniformity
  - Better source efficiency
- 50% greater throughput than competition
- Largest reactor capacity

# GaNzilla II: Improved Uniformity Driving Share Gains in 2006; K-Series with Improved Thruput and Larger Chamber Size To Be Introduced in 2007

## ■ LEDs are binned based on wavelength

- Wavelength uniformity key measure of Yield
- Tighter distribution is better
- More good die per wafer

- ## ■ New K Series, multi-generational platform offers further improvement in thruput and larger reactor size (received orders for \$10M first 5 units in Q4)



# **Metrology Opportunity: Semiconductor and Scientific Research**



# Veeco's Leading Metrology Solutions



Dimension AFP



BioScope II



Dimension V AFM



NT9800



Dektak 150

- **Leadership positions in**

- Semiconductor, Data Storage, General Industrial, MEMS Metrology
- Nano/Bio Research – university & nano-center focused business

- **2007 Focus for Nano-Bio Research AFM and Optical**

- Launch Next Generation Products and Drive Market Expansion

- **2007 Focus for Automated AFM**

- Launch New Platform
- Drive Next Level of Market Adoption via new Key Apps in Semi & DS

# Successfully Launch M&I New Products To Capture Market Share

## 2006 New Products



Dimension AFP



V Series AFM



BioScope II



Caliber AFM



SP3250



DMEMS Optical



D150Stylus Profiler

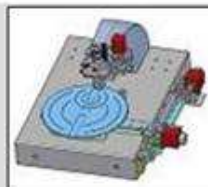


NT Optical Profiler

## 2007 New Products



New Auto AFM



Fast-Scan AFM



BioScope II Extensions



Vx200 PTR



SP4900



NT/HD Series



diCaliber II

# Veeco Created the Semi AFM Market Opportunity and Remains the Clear Market Leader... More than 350 Automated AFM Systems Shipped



Non destructive,  
accurate Metrology

## Markets

- Semiconductor
- CCD



Automated Pole Tip  
Recession Metrology

## Markets

- Data Storage



Advanced 3D AFM  
Metrology

## Markets

- Data Storage
- Mask



New AFP For CMP &  
Etch Metrology

## Markets

- Semiconductor
- Data Storage

**SHARP**  
..... be sharp

**TEXAS INSTRUMENTS**

**AMD**

**intel**

**Infineon**  
technologies

**IBM**

**TOSHIBA**

**Micron**

**SAMSUNG**

**hynix**  
Semiconductor

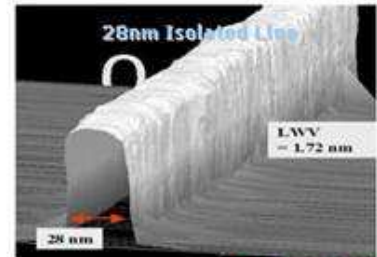
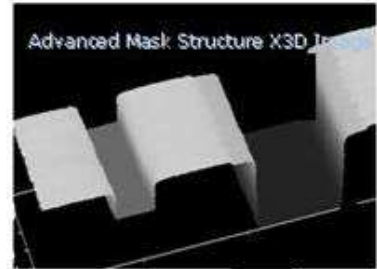
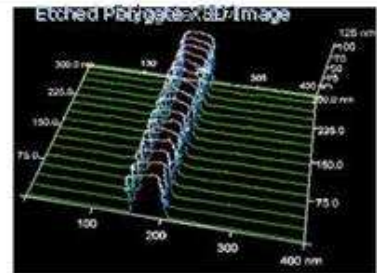
**smc**

**SMIC** 中芯国际集成电路制造有限公司  
Semiconductor Manufacturing International Corporation

# Growing Application Space for Automated AFMs

- **Auto-AFM used for in-line metrology in CMP, Etch, Litho and Mask modules**
- **Auto-AFM continues penetration at 65 & 45nm with new Veeco solutions**
- **Fab-based Reference Metrology for TEM replacement**
- **Advanced Mask Metrology for 45nm and below**
- **Advanced Lithography for Line Edge Roughness & Line Width Variation**

**Next-Gen, Higher Thruput Platform, in 2007**





# World Leader in Surface Science and Metrology

## Veeco Has the Broadest Line of Tools For Micro to Nano Applications

**Installed Base of ~8,000 AFMs  
and ~2,000 Optical Profilers**



**D MEMS Optical**



**Multimode V**



**Dektak Stylus**



**Dimension V**

### Nano Ruler



Microtech

Nanotech

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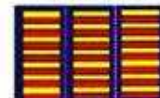
### Nano



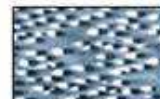
**MEMS**  
10µm – 1mm



**Transistor**  
0.5µm – 90nm



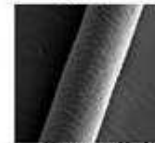
**Magnetic Bits (HDD)**  
160nm x 40nm (100Gb/in<sup>2</sup>)



**Quantum Dots**  
20nm wide ea.

**Thin Films**  
TFH, IC

### Bio



**Human Hair**  
70µm wide



**Red Blood Cells**  
3µm dia



**DNA Strand**  
2nm wide



**Silicon Atom**  
0.2nm dia

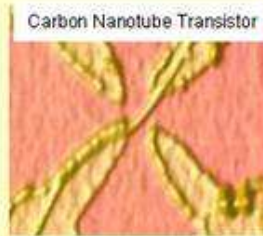
**Veeco**



# Veeco's Scientific Research Business (approximately 100 Research AFMs per quarter)

## Nanotechnology

- Nano Metrology
- Nano Manipulation
- Nano Material



*We Sell Over 100  
Tabletop AFMs Per Quarter...  
**Stable, High Margin Business***

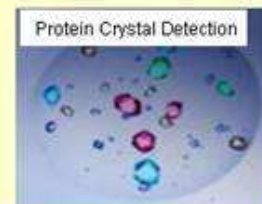
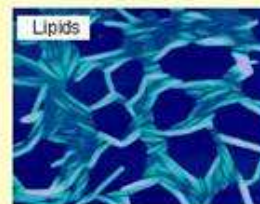
## Materials Research

- Semiconductor
- Future Data Storage
- Polymers



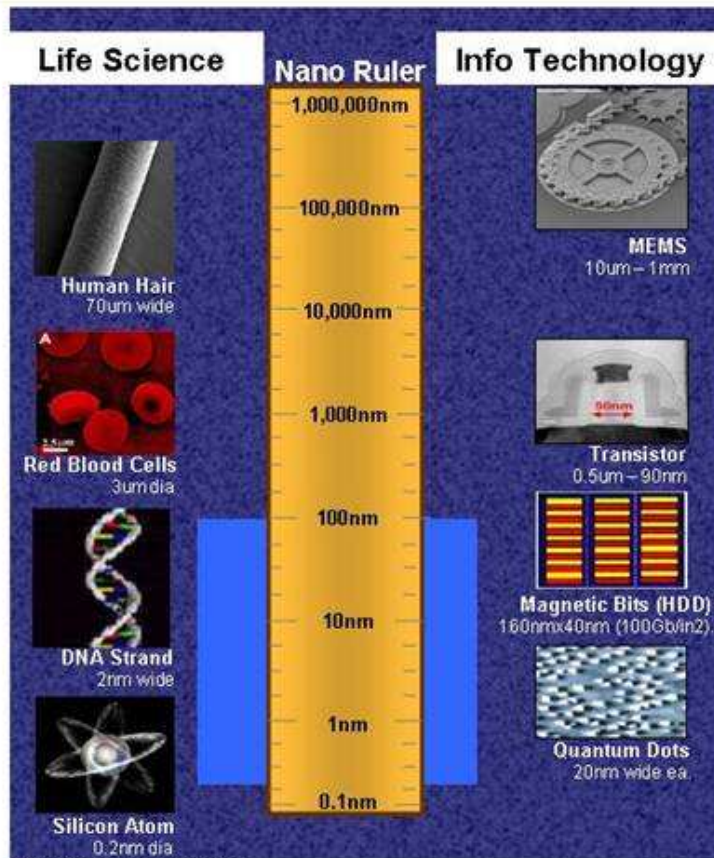
## Life Sciences

- Living Cells
- DNA
- Proteomics



# Nanotechnology

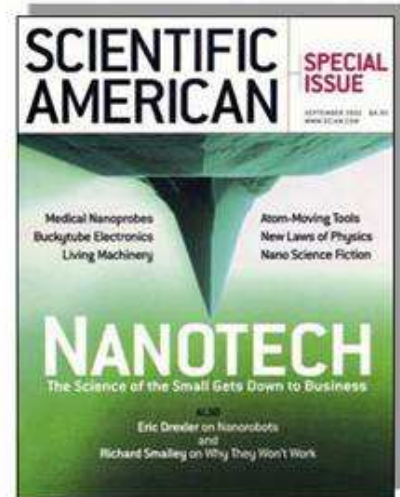
*"All The World's Industry Is In Its Path"*



021207 Investor Presentation  
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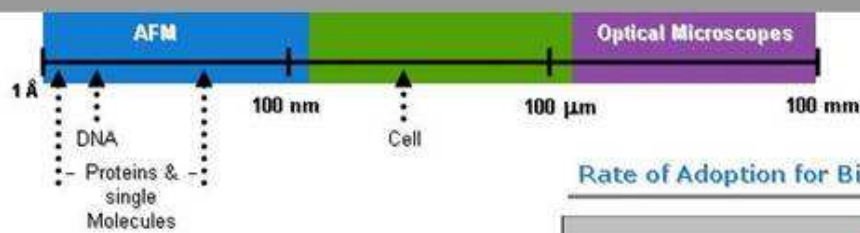
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**AFMs Image,  
Measure and Manipulate  
Nanoscale Structures**

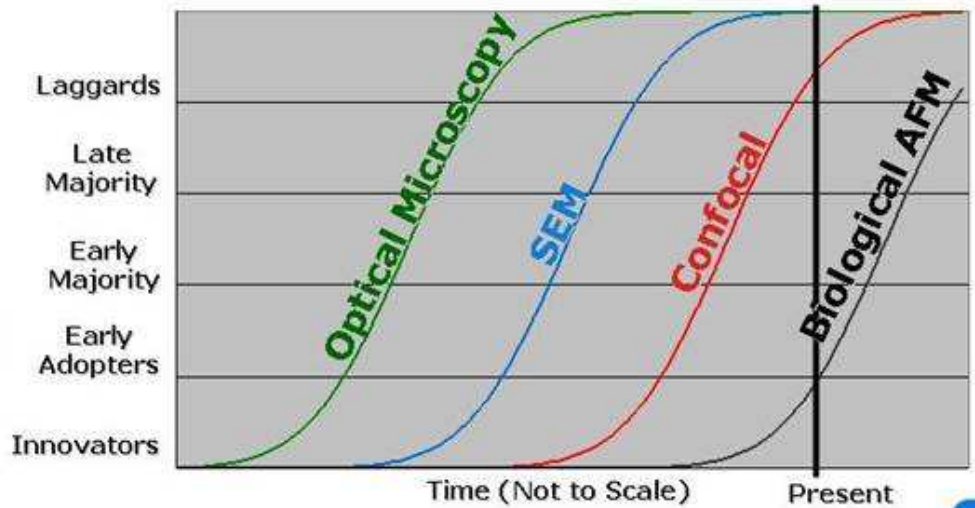


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# BioAFM Microscopy Market in its Infancy



Rate of Adoption for Biological Imaging Technologies vs. Time



BioScope II AFM

- The potential of the SPM in biology remains largely untapped.
- Quantitative research, followed by clinical applications, will drive adoption.



## Safe Harbor Statement

To the extent that this presentation discusses expectations about market conditions, market acceptance and future sales of Veeco's products, Veeco's future financial performance, future disclosures, 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 challenges of volatility in end market conditions and the cyclical nature of the data storage, semiconductor, HB-LED/wireless and scientific research markets, risks associated with integrating acquired businesses and the acceptance of new products by individual customers and by the marketplace and other 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, 2005, 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 may review 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 10K and 10Q filings available on [www.veeco.com](http://www.veeco.com)

## **APPENDIX**



# 2006 Reconciliation Table

|  | December 31,   |                | December 31,    |                 |
|--|----------------|----------------|-----------------|-----------------|
|  | 2006           | 2005           | 2006            | 2005            |
| Operating income   | \$10,241       | \$6,676        | \$22,466        | \$11,066        |
| Adjustments:   |                |                |                 |                 |
| Amortization expense   | 4,016          | 4,029          | 16,046          | 16,583          |
| Merger and restructuring expense   | -              | 1,165 (1)      | -               | 1,165 (1)       |
| Write-off of purchased in-process technology   | -              | -              | 1,180 (2)       | -               |
| Earnings before interest, income taxes and amortization, excluding certain items ("EBITA") | 14,257         | 11,870         | 39,691          | 28,814          |
| Interest expense, net  | 685            | 1,648          | 4,268           | 7,568           |
| Gain on extinguishment of debt   | -              | -              | (330) (3)       | -               |
| Adjustment to exclude gain on extinguishment of debt                                       | -              | -              | 330             | -               |
| Earnings excluding certain items before income taxes                                       | 13,572         | 10,222         | 35,393          | 21,246          |
| Income tax provision at 35%  | 4,750          | 3,578          | 12,388          | 7,436           |
| Earnings excluding certain items   | <u>\$9,822</u> | <u>\$6,644</u> | <u>\$23,005</u> | <u>\$13,810</u> |
| Earnings excluding certain items per diluted share   | \$0.28         | \$0.22         | \$0.74          | \$0.46          |
| Diluted weighted average shares outstanding  | 31,185         | 30,264         | 31,059          | 30,144          |

(1) The \$1.2 million merger and restructuring charge for the fourth quarter and year ended December 31, 2005 consisted of personnel severance costs.

(2) 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 during the third quarter of 2006 as of the acquisition date.

(3) During the first quarter of 2006, the Company repurchased \$29.0 million aggregate principal amount of its 4.125% convertible subordinated notes. As a result of this repurchase, the amount of convertible subordinated notes outstanding was reduced to \$200.0 million, and 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 by management 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.

# Q107 Guidance Reconciliation Table

|  | Guidance for three months ended March 31, 2007<br>(in thousands) |          |
|--|--|----------|
|  | Low End  | High End |
| Operating income   | \$6,500  | \$10,300 |
| Amortization expense   | 4,000  | 4,000    |
| Earnings before interest, income taxes and amortization, excluding certain items ("EBITA") | 2,500  | 6,300    |
| Interest expense, net  | 1,300  | 1,300    |
| Earnings excluding certain items before income taxes                                       | 1,200  | 5,000    |
| Income tax provision at 35%  | 420  | 1,750    |
| Earnings excluding certain items   | \$780  | \$3,250  |
| Earnings excluding certain items per diluted share   | \$0.02   | \$0.10   |
| Diluted weighted average shares outstanding  | 32,250   | 32,250   |

(1) The forecasted income tax expenses for the three months ending March 31, 2007 high end and low end guidance is \$1.0 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.