

VEECO INSTRUMENTS INC

FORM 8-K

(Current report filing)

Filed 07/26/12 for the Period Ending 07/26/12

Address	TERMINAL DRIVE 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

**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 26 , 2012**

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.)

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

(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))
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Item 2.02 Results of Operations and Financial Condition.

On July 26, 2012, Veeco Instruments Inc. (“Veeco” or the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2012. In connection with the release and the related conference call, Veeco posted a presentation relating to its second quarter 2012 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.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits* .

Exhibit	Description
99.1	Press release issued by Veeco dated July 26, 2012
99.2	Veeco Q2 2012 Financial Results, Earnings Conference Call, July 26, 2012

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 this information or these exhibits 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.

July 26, 2012

VEECO INSTRUMENTS INC.

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

EXHIBIT INDEX

Exhibit	Description
99.1	Press release issued by Veeco dated July 26, 2012
99.2	Veeco Q2 2012 Financial Results, Earnings Conference Call, July 26, 2012



NEWS

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

FOR IMMEDIATE RELEASE

Financial Contact: Debra Wasser, SVP Investor Relations & Corporate Communications, 516-677-0200 x1472

Media Contact: Fran Brennen, Senior Director Marcom, 516-677-0200 x1222

VEECO REPORTS SECOND QUARTER 2012 FINANCIAL RESULTS

Plainview, NY, July 26, 2012 — Veeco Instruments Inc. (Nasdaq: VECO) announced its financial results for the second quarter ended June 30, 2012. Veeco reports its results on a U.S. generally accepted accounting principles (“GAAP”) basis, and also provides results excluding certain items. Please refer to the attached table for details of the reconciliation between GAAP operating results and Non-GAAP operating results. All results presented herein are for Veeco’s “Continuing Operations.”

GAAP Results (\$M except EPS)

	Q2 '12	Q2 '11
Revenues	\$ 136.5	\$ 264.8
Net income	\$ 11.0	\$ 56.3
EPS (diluted)	\$ 0.28	\$ 1.31

Non-GAAP Results (\$M except EPS)

	Q2 '12	Q2 '11
Net income	\$ 14.5	\$ 63.4
EPS (diluted)	\$ 0.37	\$ 1.47

Second Quarter 2012 Results

John R. Peeler, Veeco’s Chairman and Chief Executive Officer, commented, “Veeco continues to deliver solid results in a soft market. Second quarter revenue was \$137 million, and adjusted EBITA and non-GAAP earnings per share were \$20 million and \$0.37, respectively, with gross margins of 45%. Veeco generated about \$19 million in cash flow from operations, ending the quarter with \$540 million in cash and short term investments.” Second quarter LED & Solar revenues were \$87 million, including \$75 million in MOCVD and \$12 million in MBE. Data Storage revenues were \$50 million.

“As anticipated, we experienced a challenging bookings environment in Q2, with total orders of approximately \$103 million,” continued Mr. Peeler. “Across our markets, macro-economic concerns and weakness in TV, PC and consumer electronics sales are delaying customers’ capex purchases.” Veeco’s LED & Solar orders totaled \$77 million, with MOCVD flat sequentially at \$70 million and MBE declining 50% to \$7 million. Data Storage bookings remained weak at \$25 million. Veeco’s book-to-bill ratio was 0.75 to 1 and quarter-end backlog, after a \$30 million adjustment, was \$241 million.

Third Quarter 2012 Guidance & Outlook

Veeco’s third quarter 2012 revenue is currently forecasted to be between \$120 million and \$140 million. Earnings per share are currently forecasted to be between \$0.12 to \$0.29 on a GAAP basis, and \$0.22 to \$0.38 on a non - GAAP basis. Please refer to the attached financial table for more details.

Mr. Peeler commented, “We are executing on our plan to deliver solid profitability in a down revenue year while investing for future growth. At the mid-point of the year, we are tightening our 2012 revenue guidance to between \$520 and \$560 million. Assuming macro-economic conditions do not worsen, we currently anticipate a gradual order recovery in the second half of 2012.”

Mr. Peeler continued, “MOCVD orders appear to be bumping along the bottom and we have not yet seen a meaningful inflection in customer buying. However, utilization rates are up at key customer facilities in China, Taiwan and Korea, and we have seen a pick-up in quoting activity as customers plan future capacity expansions to ensure their position in LED lighting for 2013 and beyond. We continue to win in the market due to our low cost of ownership solutions that drive customers’ yield and productivity, most recently through our new TurboDisc® ‘ M’ and ‘ HP’ product suite.”

Conference Call Information

A conference call reviewing these results has been scheduled for 5:00pm ET today at 1-877-419-6594 (toll free) or 1-719-325-4768 using passcode **4807787** . 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 tonight through midnight on August 9, 2012 at 888-203-1112 or 719-457-0820, using passcode **4807787** , or on the Veeco website. ***Please follow along with our slide presentation also posted on the website.***

About Veeco

Veeco’s process equipment solutions enable the manufacture of LEDs, power electronics, hard drives, MEMS and wireless chips. We are the market leader in MOCVD, MBE, Ion Beam and other advanced thin film process technologies. Our high performance systems drive innovation in energy efficiency, consumer electronics and network storage and allow our customers to maximize productivity and achieve lower cost of ownership. For information on our company, products and worldwide service and support, please visit 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, 2011 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
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 136,547	\$ 264,815	\$ 276,456	\$ 519,491
Cost of sales	75,293	129,466	149,934	253,179
Gross profit	61,254	135,349	126,522	266,312
Operating expenses (income):				
Selling, general and administrative	20,893	27,461	40,666	50,397
Research and development	23,910	23,652	47,216	43,523
Amortization	1,185	1,334	2,400	2,242
Restructuring	—	—	63	—
Other, net	146	(68)	111	(28)
Total operating expenses	46,134	52,379	90,456	96,134
Operating income	15,120	82,970	36,066	170,178
Interest (income) expense, net	(329)	86	(532)	1,385
Loss on extinguishment of debt	—	3,045	—	3,349
Income from continuing operations before income taxes	15,449	79,839	36,598	165,444
Income tax provision	4,438	23,521	9,125	51,147
Income from continuing operations	11,011	56,318	27,473	114,297
Income (loss) from discontinued operations, net of tax	807	(37,112)	757	(42,449)
Net income	\$ 11,818	\$ 19,206	\$ 28,230	\$ 71,848
Income (loss) per common share:				
Basic:				
Continuing operations	\$ 0.29	\$ 1.37	\$ 0.72	\$ 2.83
Discontinued operations	0.02	(0.90)	0.02	(1.05)
Income	\$ 0.31	\$ 0.47	\$ 0.74	\$ 1.78
Diluted:				
Continuing operations	\$ 0.28	\$ 1.31	\$ 0.71	\$ 2.67
Discontinued operations	0.02	(0.86)	0.02	(0.99)
Income	\$ 0.30	\$ 0.45	\$ 0.73	\$ 1.68
Weighted average shares outstanding:				
Basic	38,370	40,998	38,315	40,433
Diluted	38,988	43,002	38,925	42,780

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

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 317,047	\$ 217,922
Short-term investments	221,832	273,591
Restricted cash	851	577
Accounts receivable, net	95,125	95,038
Inventories, net	90,729	113,434
Prepaid expenses and other current assets	28,577	40,756
Assets of discontinued segment held for sale	—	2,341
Deferred income taxes, current	10,298	10,885
Total current assets	764,459	754,544
Property, plant and equipment, net	97,068	86,067
Goodwill	55,828	55,828
Other assets, net	32,620	39,624
Total assets	<u>\$ 949,975</u>	<u>\$ 936,063</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 32,652	\$ 40,398
Accrued expenses and other current liabilities	95,168	107,656
Deferred profit	10,301	10,275
Income taxes payable	1,350	3,532
Liabilities of discontinued segment held for sale	5,359	5,359
Current portion of long-term debt	258	248
Total current liabilities	145,088	167,468
Deferred income taxes	5,023	5,029
Long-term debt	2,275	2,406
Other liabilities	324	640
Total liabilities	152,710	175,543
Equity	797,265	760,520
Total liabilities and equity	<u>\$ 949,975</u>	<u>\$ 936,063</u>

Veeco Instruments Inc. and Subsidiaries
Reconciliation of GAAP to non-GAAP results
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Adjusted EBITA				
Operating income	\$ 15,120	\$ 82,970	\$ 36,066	\$ 170,178
Adjustments:				
Amortization	1,185	1,334	2,400	2,242
Equity-based compensation	4,014	3,717	7,144	6,517
Restructuring	—	—	63(1)	—
Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA")	<u>\$ 20,319</u>	<u>\$ 88,021</u>	<u>\$ 45,673</u>	<u>\$ 178,937</u>
Non-GAAP Net Income				
Net income from continuing operations (GAAP basis)	\$ 11,011	\$ 56,318	\$ 27,473	\$ 114,297
Non-GAAP adjustments:				
Amortization	1,185	1,334	2,400	2,242
Equity-based compensation	4,014	3,717	7,144	6,517
Restructuring	—	—	63(1)	—
Loss on extinguishment of debt	—	3,045	—	3,349
Non-cash portion of interest expense	—	490(2)	—	1,259(2)
Income tax effect of non-GAAP adjustments	(1,718)(3)	(1,492)(3)	(3,628)(3)	(2,943)(3)
Non-GAAP Net Income	<u>\$ 14,492</u>	<u>\$ 63,412</u>	<u>\$ 33,452</u>	<u>\$ 124,721</u>
Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS")	<u>\$ 0.37</u>	<u>\$ 1.47</u>	<u>\$ 0.86</u>	<u>\$ 2.92</u>
Diluted weighted average shares outstanding	38,988	43,002	38,925	42,780

(1) During the first quarter of 2012, we recorded restructuring charges totaling \$0.1 million related to a company-wide reorganization executed during the second half of 2011.

(2) Adjustment to exclude non-cash interest expense on convertible subordinated notes.

(3) The Company utilized the with and without method to determine the income tax effect of non-GAAP adjustments.

NOTE - 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 adjusted 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 adjusted EBITA reports baseline performance and thus provides useful information.

Veeco Instruments Inc. and Subsidiaries
Reconciliation of GAAP to non-GAAP results
(In thousands, except per share data)
(Unaudited)

	Guidance for the three months ending September 30, 2012	
	LOW	HIGH
Adjusted EBITA		
Operating income	\$ 6,317	\$ 15,103
Adjustments:		
Amortization	1,264	1,264
Equity-based compensation	4,238	4,238
Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA")	<u>\$ 11,819</u>	<u>\$ 20,605</u>
Non-GAAP Net Income		
Net income from continuing operations (GAAP basis)	\$ 4,781	\$ 11,411
Non-GAAP adjustments:		
Amortization	1,264	1,264
Equity-based compensation	4,238	4,238
Income tax effect of non-GAAP adjustments	(1,708)(1)	(1,973)(1)
Non-GAAP Net Income	<u>\$ 8,575</u>	<u>\$ 14,940</u>
Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS")	<u>\$ 0.22</u>	<u>\$ 0.38</u>
Diluted weighted average shares outstanding	39,000	39,000

(1) The Company utilizes the with and without method to determine the income tax effect of non-GAAP adjustments.

NOTE - 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 adjusted 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 adjusted EBITA reports baseline performance and thus provides useful information.

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
LED & Solar				
Bookings	\$ 77,294	\$ 273,282	\$ 161,923	\$ 471,527
Revenues	\$ 86,778	\$ 219,135	\$ 182,352	\$ 433,833
Operating income	\$ 7,630	\$ 77,207	\$ 23,189	\$ 157,018
Amortization	861	953	1,724	1,440
Equity-based compensation	1,096	892	2,102	1,571
Restructuring	—	—	58	—
Adjusted EBITA	\$ 9,587	\$ 79,052	\$ 27,073	\$ 160,029
Data Storage				
Bookings	\$ 25,239	\$ 37,546	\$ 54,008	\$ 70,161
Revenues	\$ 49,769	\$ 45,680	\$ 94,104	\$ 85,658
Operating income	\$ 11,372	\$ 12,342	\$ 19,557	\$ 23,902
Amortization	324	356	676	719
Equity-based compensation	440	352	851	660
Restructuring	—	—	5	—
Adjusted EBITA	\$ 12,136	\$ 13,050	\$ 21,089	\$ 25,281
Unallocated Corporate				
Operating loss	\$ (3,882)	\$ (6,579)	\$ (6,680)	\$ (10,742)
Amortization	—	25	—	83
Equity-based compensation	2,478	2,473	4,191	4,286
Adjusted loss	\$ (1,404)	\$ (4,081)	\$ (2,489)	\$ (6,373)
Total				
Bookings	\$ 102,533	\$ 310,828	\$ 215,931	\$ 541,688
Revenues	\$ 136,547	\$ 264,815	\$ 276,456	\$ 519,491
Operating income	\$ 15,120	\$ 82,970	\$ 36,066	\$ 170,178
Amortization	1,185	1,334	2,400	2,242
Equity-based compensation	4,014	3,717	7,144	6,517
Restructuring	—	—	63	—
Adjusted EBITA	\$ 20,319	\$ 88,021	\$ 45,673	\$ 178,937



Q2 2012 Financial Results

Earnings Conference Call

Innovation.
Performance.
Brilliant.

July 26, 2012

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 items 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, 2011 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.

Note: All results presented herein are for Veeco's "Continuing Operations" which excludes the Metrology business sold to Bruker Corporation on October 7, 2010 and reflects the discontinuation of Veeco's CIGS Solar Systems Business in the third quarter of 2011.



**John Peeler,
Chairman and CEO
Q2 2012 Results
Overview**

Innovation.
Performance.
Brilliant.

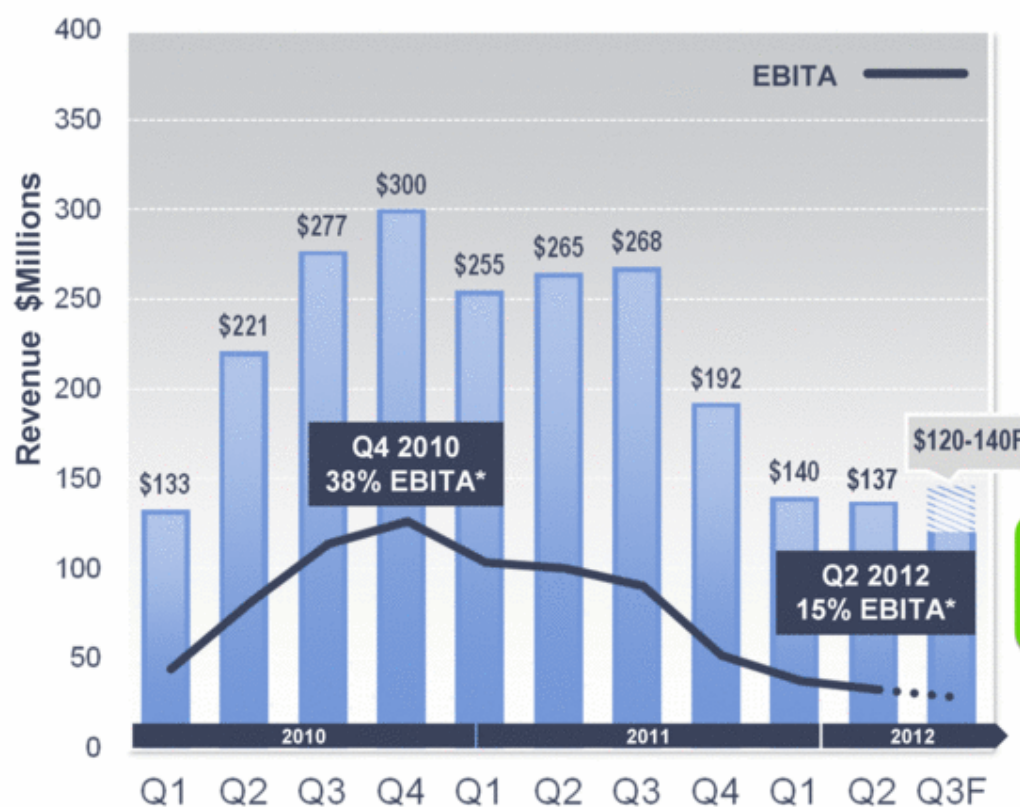
Solid Q2 2012 Results In Line With Guidance

**Revenue \$137M, EBITA \$20M,
GM 45%, Non-GAAP EPS \$0.37**

**Excellent Balance Sheet
Performance: Cash at \$540M**

**Veeco 2012 On-Track:
\$520-560M Revenue
13-16% EBITA**

Committed to Profitability Through Cycles



Quarterly Revenue	EBITA* %
\$100-125M	5-10%
\$125-150M	10-20%
\$150-200M	20-30%
\$200-300M	30-35%+

Highly Variable Cost Structure

*Adjusted EBITA

Weak Macro-Economy Impacts Customer Capex



- Overall Veeco Q2 orders at \$103M
- Customers delaying capex across our end-markets
- MOCVD orders bumping along the bottom at \$70M... flat with Q1 2012
- Data Storage and MBE trended down during the quarter

Currently expect orders to improve gradually in 2H12

Mixed Signals in the LED Market



Positives

- Fab utilization rates increased in Q2
- LED chip demand in Taiwan and Korea has been steadily increasing
- LED bulb prices on steady downward trend
- Lighting performance and costs are rapidly improving

Negatives

- Sluggish TV and consumer electronics sales
- Growing but low base of LED lighting

**Good quoting activity;
Slow order conversion rate**

Data Storage Customers are Cautious

- Veeco Q2 revenue at record levels due to flood recovery support
- Capacity has caught up on rapid fab recovery and lower HDD TAM/Unit volumes
- Overall end market growth continues, but at a slow rate
- Customers tightly managing CAPEX

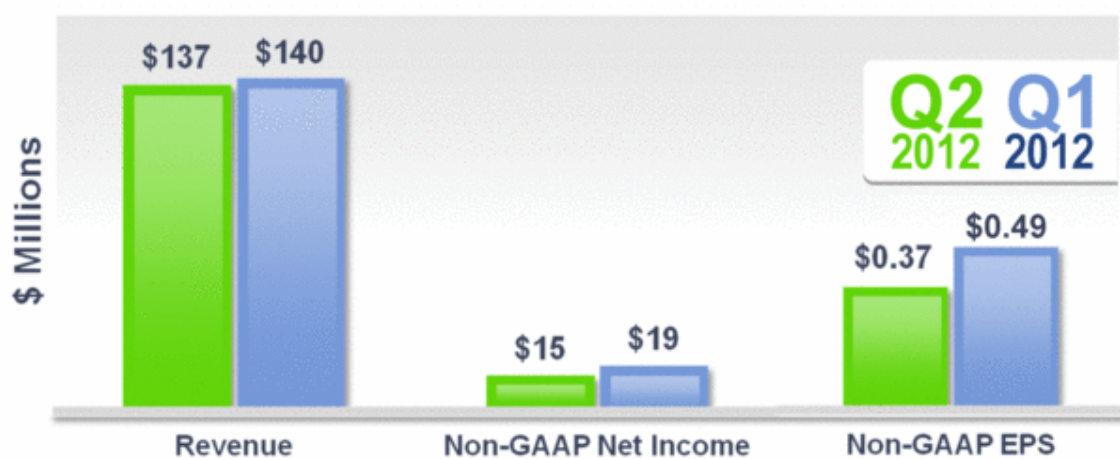




David Glass, CFO
Q2 12 Results
& Guidance

Innovation.
Performance.
Brilliant.

Q2 vs. Q1 2012 Financial Highlights



	Q2 2012	Q1 2012
Gross Margins	45%	47%
Operating Spending*	\$45M	\$43M
Adjusted EBITA	\$20M	\$25M
GAAP EPS	\$0.28	\$0.42
Non-GAAP EPS	\$0.37	\$0.49

*Excludes amortization see financial tables

Q2 2012 Revenue Highlights

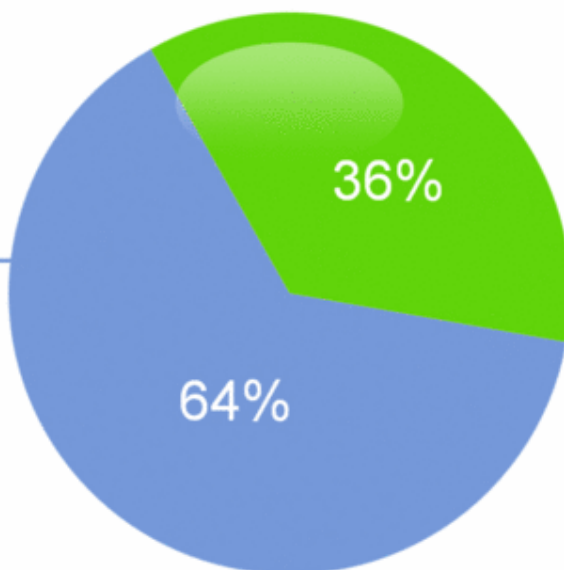
Total Revenue:

\$137M

LED & Solar
\$87M

MOCVD at \$75M in
Q2 2012; down 8%
sequentially

MBE at \$12M



Data Storage
\$50M

At record levels of
quarterly revenue;
up 12% sequentially

(\$M)	Q2 '12	Q1 '12
Adj EBITA	\$9.6	\$17.5

(\$M)	Q2 '12	Q1 '12
Adj EBITA	\$12.1	\$9.0

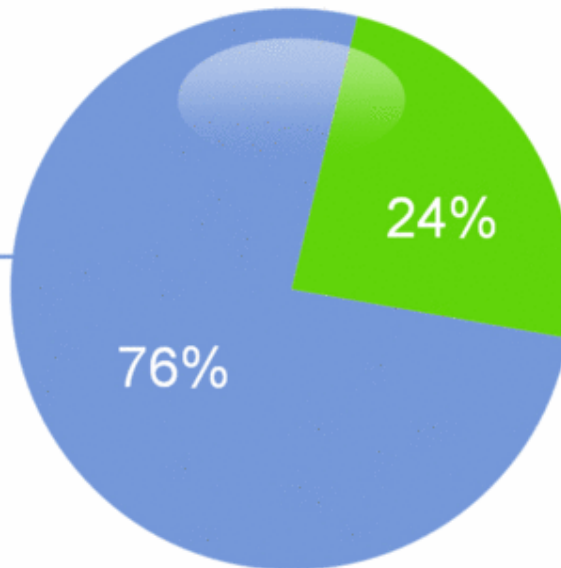
Q2 2012 Bookings Highlights

Total Bookings:
\$103M

LED & Solar
~\$77M

MOCVD at \$70M; flat sequentially with Q1 2012

MBE down 50% sequentially to \$7M; no wireless production buys



Data Storage
~\$25M

Down 12% sequentially on continued capex pause

Strong Balance Sheet

(\$ millions)	6/30/12	3/31/12
Cash & Short-term Investments	\$540	\$524
Accounts Receivable	95	90
Inventory	91	103
Fixed Assets, Net	97	92
Total Assets	950	944
Long-term Debt (including current portion)	3	3
Equity	797	780

- Generated \$19M in cash from operations
- Accounts receivable increased to \$95M (DSO = 63 days)
- Inventory declined by \$12M to \$91M (Turns improved to 3.3x)

Q3 2012 Guidance and Spending Update

	Q3 2012
Revenue	\$120-140M
Gross Margins	44-45%
Operating Spending	\$44-46M
Adjusted EBITA	10-15%
GAAP EPS	\$0.12-0.29
Non-GAAP EPS	\$0.22-0.38

- Additional belt tightening being implemented
- Goal to get OPEX down to Q1 levels by Q4

Positioning Veeco to
Remain Solidly Profitable
in Continued Sluggish
Environment

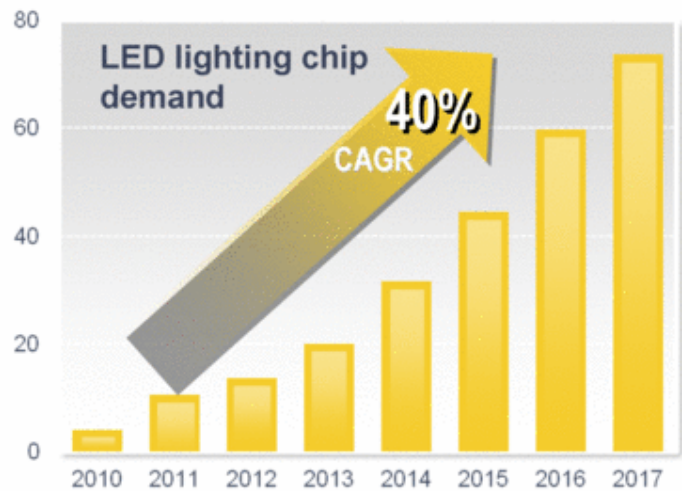
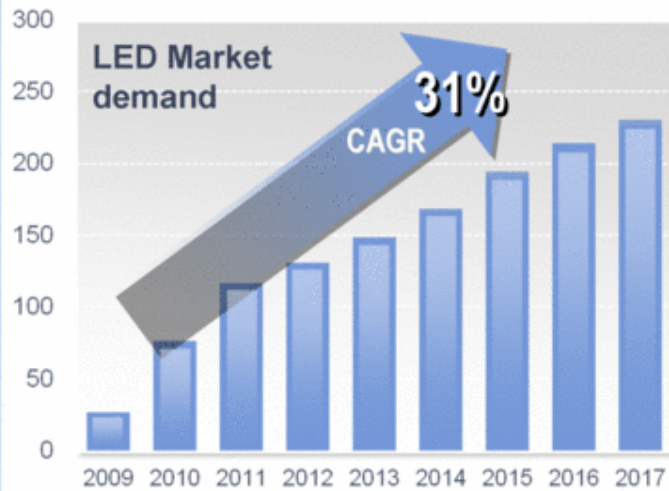
Note: Guidance is for Veeco's Continuing Operations
See reconciliation to GAAP at end of presentation



John Peeler,
Outlook

Innovation.
Performance.
Brilliant.

LED Market Forecasted to Grow Tremendously



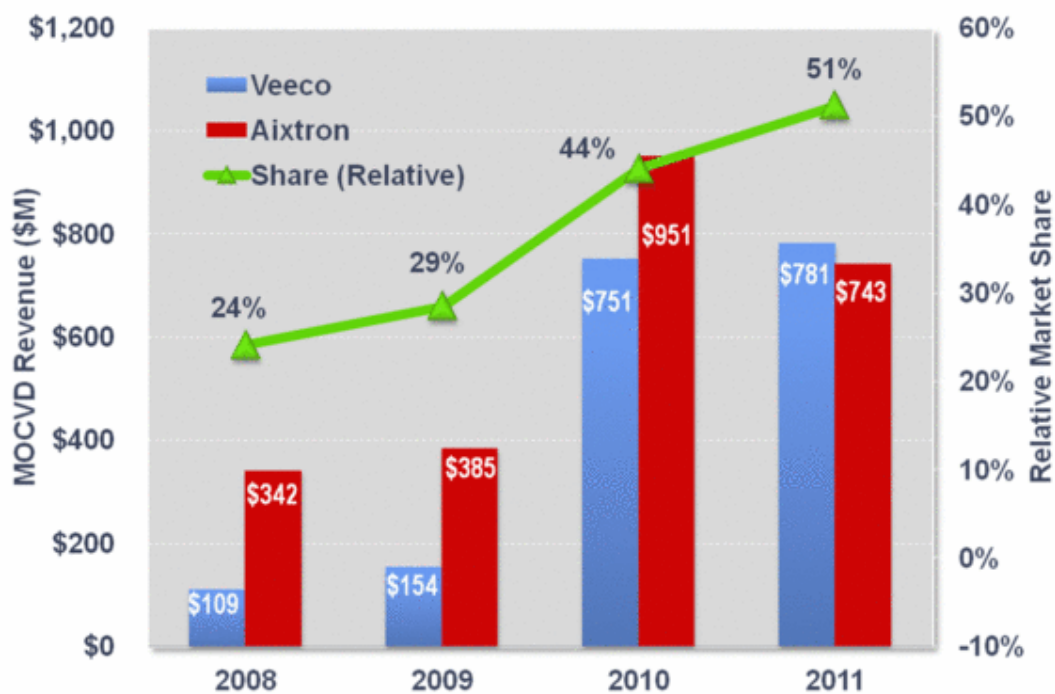
Accelerated Pace of MOCVD System Development

#1

K465i and MaxBright are
#1 Selling MOCVD Systems
Since Q3'10; Industry's
Highest Productivity



Great Market Position



1H 2012
Veeco
Market Share
62%

Leaders Choose Veeco:

#1 Supplier to 6 out of 10 LED Makers With the Most Merchant Tools

Outlook

- No Clear Sign that Economy is Improving
- Orders to Recover Gradually in 2H12 led by:
 - China and Taiwan MOCVD investments
 - Data Storage tech buys and some capex additions
- Continued Drive to Grow Services Business
- Remain Focused on Product Advancements and Customer Engagement

Summary – Positioned for Growth in 2013 and Beyond



Delivering Solid Financial Results in a Challenging Year



Market Leaders with Exceptional Technology; Aligned with Customer Roadmaps



LED Lighting Poised for Massive Adoption



Business Model Aligned for Success Through Cycles



Additional Financial Slides

Innovation.
Performance.
Brilliant.

Income Statements

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 136,547	\$ 264,815	\$ 276,456	\$ 519,491
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Amortization	1,185	1,334	2,400	2,242
Restructuring	-	-	63	-
Other, net	<u>146</u>	<u>(65)</u>	<u>111</u>	<u>(28)</u>
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Operating income	15,120	82,970	36,066	170,178
Interest (income) expense, net	(329)	86	(532)	1,385
Loss on extinguishment of debt	-	<u>3,045</u>	-	<u>3,349</u>
Income from continuing operations before income taxes	15,449	79,839	36,598	165,444
Income tax provision	<u>4,438</u>	<u>23,521</u>	<u>9,125</u>	<u>51,147</u>
Income from continuing operations	<u>11,011</u>	<u>56,318</u>	<u>27,473</u>	<u>114,297</u>
Income (loss) from discontinued operations, net of tax	807	(37,112)	757	(42,449)
Net income	<u>\$ 11,818</u>	<u>\$ 19,206</u>	<u>\$ 28,230</u>	<u>\$ 71,848</u>
Income (loss) per common share:				
Basic:				
Continuing operations	\$ 0.29	\$ 1.37	\$ 0.72	\$ 2.83
Discontinued operations	<u>0.02</u>	<u>(0.90)</u>	<u>0.02</u>	<u>(1.05)</u>
Income	<u>\$ 0.31</u>	<u>\$ 0.47</u>	<u>\$ 0.74</u>	<u>\$ 1.78</u>
Diluted:				
Continuing operations	\$ 0.28	\$ 1.31	\$ 0.71	\$ 2.67
Discontinued operations	<u>0.02</u>	<u>(0.86)</u>	<u>0.02</u>	<u>(0.99)</u>
Income	<u>\$ 0.30</u>	<u>\$ 0.45</u>	<u>\$ 0.73</u>	<u>\$ 1.68</u>
Weighted average shares outstanding:				
Basic	38,370	40,998	38,315	40,433
Diluted	38,968	43,002	38,925	42,780

Balance Sheets

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

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 317,047	\$ 217,922
Short-term investments	221,832	273,591
Restricted cash	851	577
Accounts receivable, net	95,125	95,038
Inventories, net	90,729	113,434
Prepaid expenses and other current assets	28,577	40,756
Assets of discontinued segment held for sale	-	2,341
Deferred income taxes, current	10,298	10,885
Total current assets	764,459	754,544
Property, plant and equipment, net	97,068	86,067
Goodwill	55,828	55,828
Other assets, net	32,620	39,624
Total assets	<u>\$ 949,975</u>	<u>\$ 936,063</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 32,652	\$ 40,398
Accrued expenses and other current liabilities	95,168	107,656
Deferred profit	10,301	10,275
Income taxes payable	1,350	3,532
Liabilities of discontinued segment held for sale	5,359	5,359
Current portion of long-term debt	258	248
Total current liabilities	145,088	167,468
Deferred income taxes	5,023	5,029
Long-term debt	2,275	2,406
Other liabilities	324	640
Total liabilities	152,710	175,543
Equity	797,265	760,520
Total liabilities and equity	<u>\$ 949,975</u>	<u>\$ 936,063</u>

Q2 2012 Reconciliation

Veeco Instruments Inc. and Subsidiaries
Reconciliation of GAAP to non-GAAP results
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Adjusted EBITA				
Operating income	\$ 15,120	\$ 82,970	\$ 36,066	\$ 170,178
Adjustments:				
Amortization	1,185	1,334	2,400	2,242
Equity-based compensation	4,014	3,717	7,144	6,517
Restructuring	-	-	63 (1)	-
Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA")	<u>\$ 20,319</u>	<u>\$ 88,021</u>	<u>\$ 45,673</u>	<u>\$ 178,937</u>
Non-GAAP Net Income				
Net income from continuing operations (GAAP basis)	\$ 11,011	\$ 56,318	\$ 27,473	\$ 114,297
Non-GAAP adjustments:				
Amortization	1,185	1,334	2,400	2,242
Equity-based compensation	4,014	3,717	7,144	6,517
Restructuring	-	-	63 (1)	-
Loss on extinguishment of debt	-	3,045	-	3,349
Non-cash portion of interest expense	-	490 (2)	-	1,259 (2)
Income tax effect of non-GAAP adjustments	<u>(1,718) (3)</u>	<u>(1,492) (3)</u>	<u>(2,628) (3)</u>	<u>(2,943) (3)</u>
Non-GAAP Net Income	<u>\$ 14,492</u>	<u>\$ 69,412</u>	<u>\$ 33,452</u>	<u>\$ 124,721</u>
Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS")	<u>\$ 0.37</u>	<u>\$ 1.47</u>	<u>\$ 0.86</u>	<u>\$ 2.82</u>
Diluted weighted average shares outstanding	36,988	43,002	38,925	42,780

(1) During the first quarter of 2012, we recorded restructuring charges totaling \$0.1 million related to a company-wide reorganization executed during the second half of 2011.

(2) Adjustment to exclude non-cash interest expense on convertible subordinated notes.

(3) The Company utilized the with and without method to determine the income tax effect of non-GAAP adjustments.

NOTE - 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 adjusted 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 adjusted EBITA reports baseline performance and thus provides useful information.

Q3 2012 Guidance Reconciliation

Veeco Instruments Inc. and Subsidiaries
Reconciliation of GAAP to non-GAAP results
(In thousands, except per share data)
(Unaudited)

	Guidance for the three months ending September 30, 2012	
	LOW	HIGH
Adjusted EBITA		
Operating income	\$ 6,317	\$ 15,103
Adjustments:		
Amortization	1,264	1,264
Equity-based compensation	4,238	4,238
Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA")	<u>\$ 11,819</u>	<u>\$ 20,605</u>
Non-GAAP Net Income		
Net income from continuing operations (GAAP basis)	\$ 4,781	\$ 11,411
Non-GAAP adjustments:		
Amortization	1,264	1,264
Equity-based compensation	4,238	4,238
Income tax effect of non-GAAP adjustments	(1,708) (1)	(1,973) (1)
Non-GAAP Net Income	<u>\$ 8,575</u>	<u>\$ 14,940</u>
Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS")	<u>\$ 0.22</u>	<u>\$ 0.38</u>
Diluted weighted average shares outstanding	39,000	39,000

(1) The Company utilizes the with and without method to determine the income tax effect of non-GAAP adjustments.

NOTE - 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 adjusted 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 adjusted EBITA reports baseline performance and thus provides useful information.

Segment Data

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
LED & Solar				
Bookings	\$ 77,294	\$ 273,282	\$ 161,923	\$ 471,527
Revenues	\$ 86,778	\$ 219,135	\$ 182,352	\$ 433,833
Operating income	\$ 7,630	\$ 77,207	\$ 23,189	\$ 157,018
Amortization	861	853	1,724	1,440
Equity-based compensation	1,096	892	2,102	1,571
Restructuring	-	-	58	-
Adjusted EBITA	\$ 9,587	\$ 79,052	\$ 27,073	\$ 160,029
Data Storage				
Bookings	\$ 25,239	\$ 37,546	\$ 54,008	\$ 70,161
Revenues	\$ 49,769	\$ 45,680	\$ 94,104	\$ 85,658
Operating income	\$ 11,372	\$ 12,342	\$ 19,557	\$ 23,902
Amortization	324	356	678	719
Equity-based compensation	440	352	851	660
Restructuring	-	-	5	-
Adjusted EBITA	\$ 12,136	\$ 13,050	\$ 21,089	\$ 25,281
Unallocated Corporate				
Operating loss	\$ (3,882)	\$ (6,579)	\$ (6,680)	\$ (10,742)
Amortization	-	25	-	83
Equity-based compensation	2,478	2,473	4,191	4,298
Adjusted loss	\$ (1,404)	\$ (4,081)	\$ (2,489)	\$ (6,373)
Total				
Bookings	\$ 102,533	\$ 310,828	\$ 215,931	\$ 541,688
Revenues	\$ 136,547	\$ 264,815	\$ 276,456	\$ 519,491
Operating income	\$ 15,120	\$ 82,970	\$ 36,066	\$ 170,178
Amortization	1,185	1,334	2,400	2,242
Equity-based compensation	4,014	3,717	7,144	6,517
Restructuring	-	-	63	-
Adjusted EBITA	\$ 20,319	\$ 88,021	\$ 45,673	\$ 178,937