

VEECO INSTRUMENTS INC

FORM 8-K

(Current report filing)

Filed 04/25/11 for the Period Ending 04/25/11

| | |
|-------------|---|
| 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): **April 25 , 2011**

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 April 25, 2011, Veeco Instruments Inc. (“Veeco” or the “Company”) issued a press release announcing its financial results for the quarter ended March 31, 2011. In connection with the release and the related conference call, Veeco posted a presentation relating to its first quarter 2011 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 8.01 Other Events.

On April 25, 2011, Veeco sent notice to holders of its 4.125% Convertible Subordinated Notes due 2012 (the “Notes”) that the Company is calling for redemption all of the outstanding Notes pursuant to Section 6.01 of the First Supplemental Indenture dated as of April 20, 2007, as amended (the “Indenture”), by and between the Company, as Issuer, and U.S. Bank Trust National Association, as Trustee and Paying Agent. The redemption date for the Notes will be May 26, 2011. A summary of the redemption procedures relating to the Notes is set forth in the Notice of Redemption, a copy of which is filed as Exhibit 99.3 to this report and which is incorporated by reference into this Item 8.01.

Subject to and in accordance with the terms and conditions set forth in the Indenture, holders of Notes being called for redemption have the right to convert their Notes at any time until 5:00 p.m., New York City time, on the second business day immediately preceding the Redemption Date. The right to convert the Notes being called for redemption shall therefore expire at 5:00 p.m., New York City time, on May 24, 2011, unless the Company defaults in making the payment due upon redemption. Holders of Notes must comply with the procedures set forth in the Indenture and the Notes in order to effect the conversion of the Notes.

The Conversion Rate which is in effect as of the date of the Notice of Redemption is 36.7277 shares of the Company’s common stock per \$1,000 principal amount of Notes, subject to adjustment under certain circumstances. As of the close of business on April 21, 2011, approximately \$91.6 million aggregate principal amount of the Notes were outstanding.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*.

| Exhibit | Description |
|---------|--|
| 99.1 | Press release issued by Veeco dated April 25, 2011 |
| 99.2 | Veeco Q1 2011 Highlights, Earnings Conference Call 4/25/11 |
| 99.3 | Notice of Redemption, dated April 25, 2011 |

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.

April 25, 2011

VEECO INSTRUMENTS INC.

By: /s/ Gregory A. Robbins

Name: Gregory A. Robbins

Title: Senior Vice President and General Counsel



NEWS

Veeco Instruments Inc., 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 FIRST QUARTER 2011 RESULTS

Plainview, NY, April 25, 2011 — Veeco Instruments Inc. (Nasdaq: VECO) announced its financial results for the first quarter ended March 31, 2011. 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” which excludes the Metrology business sold to Bruker Corporation on October 7, 2010.

GAAP Results (\$M except EPS)

| | Q1 '11 | Q1 '10 |
|---------------|----------|----------|
| Revenues | \$ 254.7 | \$ 134.8 |
| Net income | \$ 53.1 | \$ 22.8 |
| EPS (diluted) | \$ 1.25 | \$ 0.54 |

Non-GAAP Results (\$M except EPS)

| | Q1 '11 | Q1 '10 |
|---------------|---------|---------|
| Net income | \$ 56.6 | \$ 17.6 |
| EPS (diluted) | \$ 1.33 | \$ 0.42 |

John R. Peeler, Veeco’s Chief Executive Officer, commented, “Veeco reported a strong first quarter, with revenues of \$255 million, gross margin of 51% and non-GAAP net income of \$57 million, all in line with our guidance. As expected, revenues were down 15% sequentially, but increased 89% from the prior year first quarter. LED & Solar revenues were \$215 million and Data Storage revenues were \$40 million. Veeco’s first quarter bookings totaled \$231 million,” continued Mr. Peeler, “with another solid quarter in LED & Solar of \$198 million and Data Storage orders were \$33 million. We continued to experience strong demand for MOCVD systems and, while China remained the majority of our bookings, we also received orders from key customers in Taiwan, Korea and the U.S.” The Company’s Q1 2011 book-to-bill ratio was .91 to 1, and quarter-end backlog was \$530 million. Veeco’s operating cash flow during Q1 was extremely strong at \$75 million, resulting in cash and short term investments at the end of the quarter of \$779 million.

Fast Adoption of MaxBright MOCVD System

In February, Veeco announced its newest generation MOCVD system, the TurboDisc® MaxBright™ Multi-Reactor (“cluster”) MOCVD System. Mr. Peeler commented, “Our customers are excited about MaxBright, as evidenced by the strong quoting and purchase order activity underway with key LED customers in all regions. During the first quarter, we shipped three MaxBright 4-chamber systems. Orders have been received from three of the top tier Taiwanese LED makers, as well as from key customers in Korea and China. Customers are clearly recognizing that we are helping to enable the industry’s transition to LED lighting with a unique value position and the most productive MOCVD systems on the market.”

Veeco Announces Redemption of 4.125% Convertible Subordinated Notes Due 2012

Veeco also announced that it is calling for redemption all of its outstanding 4.125% Convertible Subordinated Notes due 2012. Approximately \$91.6 million aggregate principal amount of the Notes were outstanding as of April 20, 2011. Please visit www.veeco.com on our Investor Relations site to read today's 8K filing for further detail on this action.

Second Quarter 2011 Guidance

Veeco's second quarter 2011 revenue is currently forecasted to be between \$255 and \$285 million. Earnings per share are currently forecasted to be between \$1.08 to \$1.32 on a GAAP basis and \$1.20 to \$1.45 on a non-GAAP basis. Please refer to the attached financial table for more details. Note that the EPS impact of the note redemption has been included in this guidance.

"We currently forecast Q2 2011 orders at 25% or more above the Q1 level, and we have visibility for continued order strength through Q3," added Mr. Peeler. "We are experiencing extremely strong levels of quoting activity, very positive customer reaction to MaxBright, and a large number of multi-system deals currently on the table. We expect MOCVD order patterns to remain lumpy from quarter to quarter depending upon the timing of customer deposits. We see order strength continuing in China as it builds its LED infrastructure for solid state lighting, and quoting activity in Korea and Taiwan is also picking up with improved utilization rates being reported at key customers. Orders for our Data Storage products should also improve sequentially as customer quoting activity for technology and capacity buys are improving to support anticipated hard drive unit growth in the second half of 2011."

Full Year 2011 Guidance

"Veeco's \$530 million in backlog, combined with our forecasted Q2 revenue increase and very positive order outlook give us even greater confidence in our full year 2011 guidance of over \$1 billion in revenues and non-GAAP earnings per share of greater than \$5.00," continued Mr. Peeler. "We are optimistic about the future and confident that we are well positioned from a technology, product, and operational standpoint to grow our LED & Solar and Data Storage businesses in 2011 and beyond."

Conference Call Information

A conference call reviewing these results has been scheduled for 5:00pm ET today at 1-877-795-3638 (toll free) or 1-719-325-4770 using passcode 1854737. 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 May 9, 2011 at 888-203-1112 or 719-457-0820, using passcode 1854737, or on the Veeco website. ***Please follow along with our slide presentation also posted on the website.***

About Veeco

Veeco makes equipment to develop and manufacture LEDs, solar panels, hard disk drives and other devices. We support our customers through product development, manufacturing, sales and service sites in the U.S., Korea, Taiwan, China, Singapore, Japan, Europe and other locations. Please visit us at 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, 2010 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 March 31, | |
|--|---------------------------------|------------|
| | 2011 | 2010 |
| Net sales | \$ 254,676 | \$ 134,750 |
| Cost of sales | 125,344 | 78,010 |
| Gross profit | 129,332 | 56,740 |
| Operating expenses (income): | | |
| Selling, general and administrative | 23,933 | 17,726 |
| Research and development | 24,582 | 12,956 |
| Amortization | 1,135 | 1,237 |
| Restructuring | — | (179) |
| Other, net | 13 | (175) |
| Total operating expenses | 49,663 | 31,565 |
| Operating income | 79,669 | 25,175 |
| Interest expense, net | 1,299 | 1,783 |
| Loss on extinguishment of debt | 304 | — |
| Income from continuing operations before income taxes | 78,066 | 23,392 |
| Income tax provision | 24,983 | 567 |
| Income from continuing operations | 53,083 | 22,825 |
| Discontinued operations: | | |
| (Loss) income from discontinued operations before income taxes | (498) | 3,962 |
| Income tax (benefit) provision | (57) | 743 |
| (Loss) income from discontinued operations | (441) | 3,219 |
| Net income | \$ 52,642 | \$ 26,044 |
| Income (loss) per common share: | | |
| Basic: | | |
| Continuing operations | \$ 1.33 | \$ 0.59 |
| Discontinued operations | (0.01) | 0.08 |
| Income | \$ 1.32 | \$ 0.67 |
| Diluted: | | |
| Continuing operations | \$ 1.25 | \$ 0.54 |
| Discontinued operations | (0.01) | 0.08 |
| Income | \$ 1.24 | \$ 0.62 |
| Weighted average shares outstanding: | | |
| Basic | 39,842 | 38,784 |
| Diluted | 42,531 | 42,269 |

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

| | March 31, 2011 (Unaudited) | December 31, 2010 |
|---|----------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 276,837 | \$ 245,132 |
| Short-term investments | 426,025 | 394,180 |
| Restricted cash | 76,117 | 76,115 |
| Accounts receivable, net | 94,041 | 150,528 |
| Inventories, net | 121,342 | 108,487 |
| Prepaid expenses and other current assets | 31,676 | 34,328 |
| Deferred income taxes, current | 5,772 | 13,803 |
| Total current assets | 1,031,810 | 1,022,573 |
| Property, plant and equipment, net | 48,981 | 42,320 |
| Goodwill | 52,003 | 52,003 |
| Deferred income taxes | 9,403 | 9,403 |
| Other assets, net | 20,814 | 21,735 |
| Total assets | <u>\$ 1,163,011</u> | <u>\$ 1,148,034</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 38,678 | \$ 32,220 |
| Accrued expenses and other current liabilities | 171,275 | 183,010 |
| Deferred profit | 4,518 | 4,109 |
| Income taxes payable | 21,347 | 56,369 |
| Liabilities of discontinued segment held for sale | 5,359 | 5,359 |
| Current portion of long-term debt | 94,973 | 101,367 |
| Total current liabilities | 336,150 | 382,434 |
| Long-term debt | 2,594 | 2,654 |
| Other liabilities | 392 | 434 |
| Total liabilities | 339,136 | 385,522 |
| Equity | 823,875 | 762,512 |
| Total liabilities and equity | <u>\$ 1,163,011</u> | <u>\$ 1,148,034</u> |

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

| | Three months ended March 31, | |
|---|---------------------------------|------------------|
| | 2011 | 2010 |
| Adjusted EBITA | | |
| Operating income | \$ 79,669 | \$ 25,175 |
| Adjustments: | | |
| Amortization | 1,135 | 1,237 |
| Equity-based compensation | 3,098 | 1,866 |
| Restructuring | — | (179)(1) |
| Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA") | <u>\$ 83,902</u> | <u>\$ 28,099</u> |
| Non-GAAP Net Income | | |
| Net income from continuing operations (GAAP basis) | \$ 53,083 | \$ 22,825 |
| Non-GAAP adjustments: | | |
| Amortization | 1,135 | 1,237 |
| Equity-based compensation | 3,098 | 1,866 |
| Restructuring | — | (179)(1) |
| Loss on extinguishment of debt | 304 | — |
| Non-cash portion of interest expense | 769(2) | 741(2) |
| Income tax effect of non-GAAP adjustments | (1,838)(3) | (8,900)(3) |
| Non-GAAP Net Income | <u>\$ 56,551</u> | <u>\$ 17,590</u> |
| Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS") | <u>\$ 1.33</u> | <u>\$ 0.42</u> |
| Diluted weighted average shares outstanding | 42,531 | 42,269 |

(1) During the first quarter of 2010, we recorded a restructuring credit of \$0.2 million associated with a change in estimate.

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

(3) By the end of 2010, the Company had fully utilized all prior NOL and tax credit carryforwards. As a result, beginning in 2011, the Company utilized the with and without method, at a 32% effective rate, to determine the income tax effect of non-GAAP adjustments. During the first quarter of 2010 we provided for income taxes at a 35% statutory rate 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 June 30, 2011 | |
|---|--|------------------|
| | LOW | HIGH |
| Adjusted EBITA | | |
| Operating income | \$ 70,952 | \$ 86,452 |
| Adjustments: | | |
| Amortization | 1,454 | 1,454 |
| Equity-based compensation | 3,818 | 3,818 |
| Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA") | <u>\$ 76,224</u> | <u>\$ 91,724</u> |
| Non-GAAP Net Income | | |
| Net income from continuing operations (GAAP basis) | \$ 46,250 | \$ 56,792 |
| Non-GAAP adjustments: | | |
| Amortization | 1,454 | 1,454 |
| Equity-based compensation | 3,818 | 3,818 |
| Loss on extinguishment of debt | 2,794 | 2,794 |
| Non-cash portion of interest expense | 247(1) | 247(1) |
| Income tax effect of non-GAAP adjustments | (2,797)(2) | (2,825)(2) |
| Non-GAAP Net Income | <u>\$ 51,766</u> | <u>\$ 62,280</u> |
| Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS") | <u>\$ 1.20</u> | <u>\$ 1.45</u> |
| Diluted weighted average shares outstanding | 43,000 | 43,000 |


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

(2) By the end of 2010, the Company had fully utilized all prior NOL and tax credit carryforwards. As a result, beginning in 2011, the Company utilized the with and without method, at a 32% effective rate, 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 March 31, | |
|------------------------------|----|---------------------------------|------------|
| | | 2011 | 2010 |
| LED & Solar | | | |
| Bookings | \$ | 198,265 | \$ 211,663 |
| Revenues | \$ | 214,698 | \$ 111,505 |
| Operating income | \$ | 72,272 | \$ 27,095 |
| Amortization | | 714 | 796 |
| Equity-based compensation | | 977 | 467 |
| Adjusted EBITA | \$ | 73,963 | \$ 28,358 |
| Data Storage | | | |
| Bookings | \$ | 32,615 | \$ 26,372 |
| Revenues | \$ | 39,978 | \$ 23,245 |
| Operating income | \$ | 11,560 | \$ 2,458 |
| Amortization | | 363 | 383 |
| Equity-based compensation | | 308 | 215 |
| Restructuring | | — | (179) |
| Adjusted EBITA | \$ | 12,231 | \$ 2,877 |
| Unallocated Corporate | | | |
| Operating loss | \$ | (4,163) | \$ (4,378) |
| Amortization | | 58 | 58 |
| Equity-based compensation | | 1,813 | 1,184 |
| Adjusted loss | \$ | (2,292) | \$ (3,136) |
| Total | | | |
| Bookings | \$ | 230,880 | \$ 238,035 |
| Revenues | \$ | 254,676 | \$ 134,750 |
| Operating income | \$ | 79,669 | \$ 25,175 |
| Amortization | | 1,135 | 1,237 |
| Equity-based compensation | | 3,098 | 1,866 |
| Restructuring | | — | (179) |
| Adjusted EBITA | \$ | 83,902 | \$ 28,099 |



Q1 2011 Highlights

Earnings Conference Call 4/25/11



Innovation. Performance. Brilliant.

Introduction

Debra A. Wasser, SVP, Investor Relations



Innovation. Performance. Brilliant.

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, 2010 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.



Q1 2011 Results

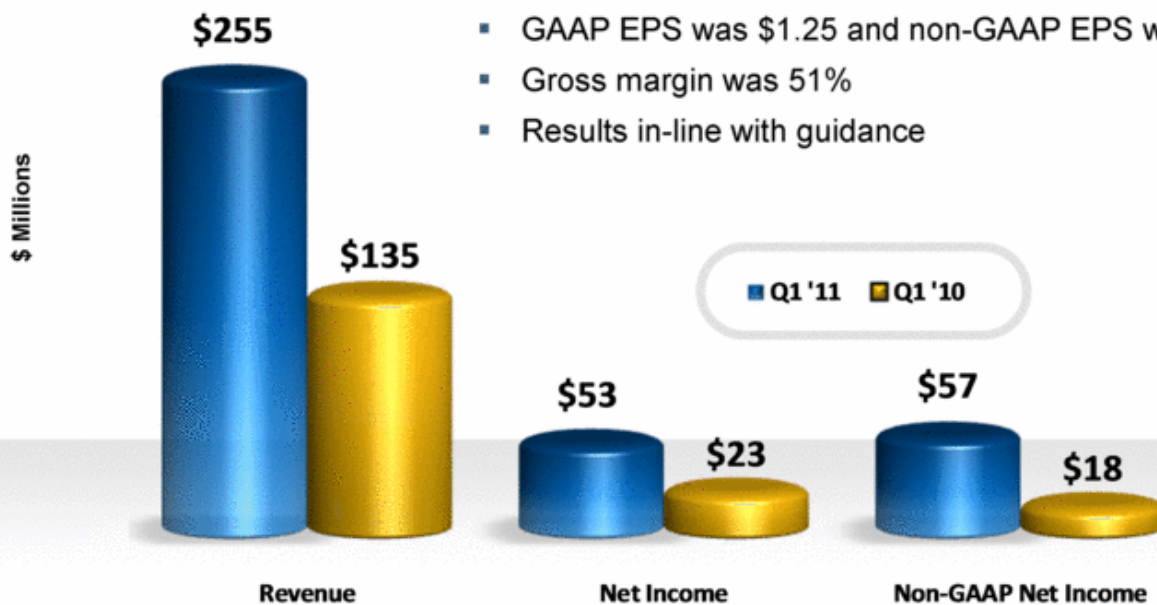
David D. Glass, CFO



Innovation. Performance. Brilliant.

Q1 2011 Strong Performance Across the Board

- Revenue declined 15% from the record Q4 '10 results, as expected, but increased 89% from Q1 '10
- GAAP EPS was \$1.25 and non-GAAP EPS was \$1.33
- Gross margin was 51%
- Results in-line with guidance



See reconciliation to GAAP at end of presentation

Q1 2011 Revenue & EBITA Performance by Segment

Total Revenue: \$255M

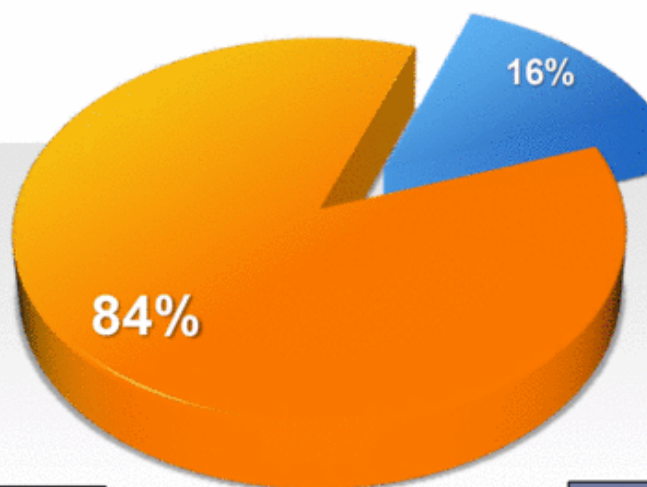
LED & Solar \$215M

Down 17%
sequentially but up
93% from Q1'10

MOCVD at \$204M

Data Storage \$40M

Down 4%
sequentially but up
72% from Q1'10



| (\$M) | Q1 '11 | Q1 '10 |
|-----------|--------|--------|
| Adj EBITA | \$74 | \$28 |

| (\$M) | Q1 '11 | Q1 '10 |
|-----------|--------|--------|
| Adj EBITA | \$12 | \$3 |

See reconciliation to GAAP at end of presentation

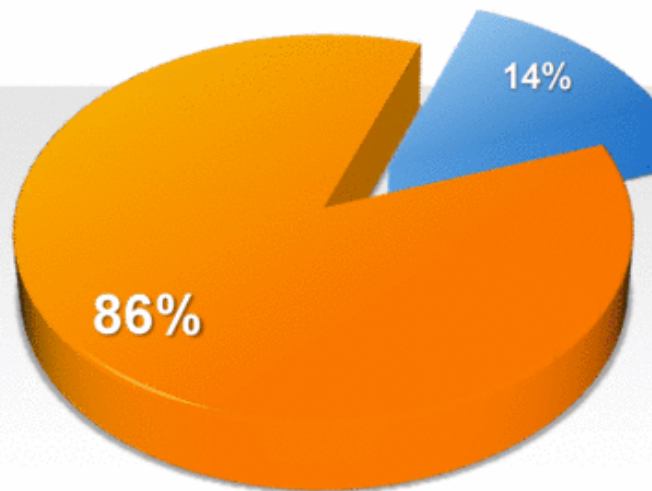
Q1 2011 Bookings Performance by Segment

Total Bookings: \$231M

LED & Solar \$198M

Down 22% sequentially and 6% year-over-year primarily due to timing of customer deposits for MOCVD systems.

MOCVD remains strong at \$186M



Data Storage \$33M

Down 22% sequentially but up 24% year-over-year

Book to Bill = .91 to 1;
Backlog \$530M

Q1 2011 Bookings Highlights

LED & Solar \$198M

15 customers placed MOCVD orders

- China strength continues – Lattice Power, Shanghai Epilight, Nantong Tongfang, Smartlighting, Shandong Huaguang, United LED & others
- Key customer wins in US, Taiwan and Korea
- Continued to penetrate new accounts and gain share at existing customers



Data Storage \$33M

- Orders remain lumpy Q-to-Q; Q1 was light on technology and capacity buys
- Improvement anticipated in Q2



Q1 2011 P&L Highlights

(\$ millions except GM)

| | Q1'11 | Q1'10 | Q4'10 |
|----------------------------|---------|---------|---------|
| Revenues | \$254.7 | \$134.8 | \$300.0 |
| Gross Profit | 129.3 | 56.7 | 152.8 |
| Gross Margin | 50.8% | 42.1% | 50.9% |
| Operating Income | 79.7 | 25.2 | 100.9 |
| GAAP Net Income | 53.1 | 22.8 | 96.7 |
| Non-GAAP Net Income | 56.6 | 17.6 | 67.9 |

See reconciliation to GAAP at end of presentation

Strong Balance Sheet & Cash Generation in Q1 2011

| (\$ millions) | 03/31/2011 | 12/31/2010 |
|--|------------|------------|
| Cash & Short-term Investments* | \$779.0 | \$715.4 |
| Accounts Receivable | 94.0 | 150.5 |
| Inventory | 121.3 | 108.5 |
| Fixed Assets, Net | 49.0 | 42.3 |
| Total Assets | 1,163.0 | 1,148.0 |
| Long-term Debt (including current portion) | 97.6 | 104.0 |
| Equity | 823.9 | 762.5 |

* Includes restricted cash of \$76.1M at 3/31/11 and 12/31/10

- Cash and short-term investments grew \$64M
- Accounts receivable decreased \$57M, representing 33 days sales outstanding
- Inventory grew by \$13M to \$121M, resulting in turns of 4.1
- 4/25: Announced call for redemption of all outstanding 4.125% convertible subordinated notes due 2012 (~\$91.6M aggregate principle amount)

Business Update and Q2 Guidance

John R. Peeler, CEO



Innovation. Performance. Brilliant.

China Update: Establishing a Domestic LED Value Chain

National goal to achieve long-term sustainable economic growth

- Reduce pollution, lower energy consumption, become more energy efficient & increase domestic demand

LED lighting: Key opportunity to cultivate green & sustainable industries

- Part of *New Energy, Energy-Saving and Environmental Protection*, 1 of 7 emerging strategic industries identified by state council in the 12th 5-year plan

Aggressively developing domestic LED value chain in phases

- Growing domestic LED supply scale: equipment subsidies, industry parks, and international cooperation
- Stimulating internal demand: demonstration projects, applications programs (e.g., streetlights) and anticipated incentives for LED lighting products
- Increasing LED performance & manufacturing capability: position for global competition

- Long-term, systematic approach: cultivate LED industry to support its national economic objective
- Determination to develop LED supply chain drives MOCVD investment opportunities

Veeco's China Opportunity Just Beginning

China central and local governments are providing incentives to establish LED manufacturing capacity throughout China

- MOCVD equipment subsidies (~\$1.5M), tax breaks and land grants; regional competition

A number of LED Manufacturers plan to invest without per-tool subsidies

- Zero interest loans and other government support

Driving significant investments in LED manufacturing capacity by many companies

- Projects announced to date total >1,600 MOCVD reactors; >\$4B in capex (Source: UBS 4/4/11);
- ~300 reactors were shipped and installed in 2009 & 2010

Major Chinese manufacturing companies are positioning themselves to win in LED manufacturing – domestic market and export

- Existing LED companies, JV partners and new entrants all investing
- The number of companies manufacturing LEDs continues to expand in 2011
- *Aspiration to supply LEDs globally means potential market for MOCVD reactors even larger*

- **China's LED supply base has increased rapidly but there is much more growth to come**

Veeco CTC Opens to Support Customer Training Requirements



**Goal: Train
Hundreds of
Engineers to
Use Veeco
MOCVD
Systems**

Veeco Becoming "Supplier of Choice" to Chinese Companies

Evolving LED Market Dynamics in Asia

Reports of significant improvement in luminous efficiency from Taiwan's LED epitaxy factories

▪ **Ex: Formosa Epitaxy recently achieved 150 lm/W for 45mil Blue LED chip**

Taiwan's Epistar, Formosa Epitaxy and GPI: utilization rates are rising rapidly and they are becoming more price competitive

Korean LED manufacturers' utilization rates also improving: intent on gaining share both in BLU and SSL

Veeco opening world-class MOCVD demo/R&D/ process support facilities in Taiwan and Korea to solidify key customer relationships

LED Manufacturers across Asia are investing for the long term and Veeco expects to be the preferred supplier

Source: GG LED 4/6/2011 (<http://www.semi.org/ch/node/14601>)

MaxBright™: Fast Adoption by Key Customers



- As planned, shipped three 4-chamber systems in Q1
- Received multiple orders from leading accounts in Korea, Taiwan, China
 - 3 of the top Taiwanese LED makers have placed MaxBright P.O.s
- Currently planning to ship 4-8 MaxBright systems in Q2
- Very strong pipeline & quoting activity...we are well positioned for continued growth & share gain

Lowest Cost of Ownership

Highest throughput
Highest capacity
Highest footprint efficiency
Highest capital efficiency



Other Business Updates

Solar

- Shipped CIGS tools to customers in Korea and China...process acceptance underway
- 2/11: Veeco receives \$4.8M DOE grant for FastLine™ technology
- 4/11: DOE granted \$58M to CNSE PVMI project
 - Veeco to be key equipment partner for CIGS flexible tools
 - NYS matching funds will help build "SEMATECH" like fab

Data Storage

- 2011 forecasted to be a revenue growth year despite HDD industry consolidation
- Quoting activity for tech & capacity buys picking up as customers anticipate 2H 2011 HDD unit growth



Q2 2011 Revenue and Earnings Guidance

| | |
|----------------|-------------------|
| Revenue | \$255-285M |
|----------------|-------------------|

| | |
|----------------------|-------------|
| Gross Margins | ~50% |
|----------------------|-------------|

| | |
|---------------------------|--------------------------|
| Operating Spending | \$54-55M (19-22%) |
|---------------------------|--------------------------|

| | |
|-----------------------|---------------|
| Adjusted EBITA | 30-32% |
|-----------------------|---------------|

| | |
|-----------------|----------------------|
| GAAP EPS | \$1.08-\$1.32 |
|-----------------|----------------------|

| | |
|---------------------|----------------------|
| Non-GAAP EPS | \$1.20-\$1.45 |
|---------------------|----------------------|

See reconciliation to GAAP at end of presentation

Q2 2011 Order Outlook

Currently forecast Veeco's Q2 orders at 25% or more above Q1 level and we have visibility to continued strength through Q3:

- Extremely strong levels of quoting activity
- Fast adoption of MaxBright and continued purchases of market-leading K465i
- China's commitment to LED for solid state lighting remains strong; Korean and Taiwanese utilization rates increasing
- Data Storage orders will be lumpy on a quarterly basis, but we expect Q2 to improve over Q1 levels

Reaffirming Full Year 2011 Outlook

2011 Forecast:

>\$1B in revenue
> \$5.00 in Non-GAAP EPS

- Expect 2011 to be a solid year for MOCVD tool demand (BLU and lighting)
 - Veeco opportunity to continue to gain share with most productive MOCVD systems
- CIGS Solar business will begin to deliver revenue in 2011 as we ship tools to key customers
- Data Storage business outlook remains favorable with strong customer alignment for technology and capacity buys

Q&A Session



Innovation. Performance. Brilliant.

Financial Tables



Innovation. Performance. Brilliant.

Q1 2011 Income Statement

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

| | Three months ended | |
|--|--------------------|------------|
| | March 31, | |
| | 2011 | 2010 |
| Net sales | \$ 254,676 | \$ 134,750 |
| Cost of sales | 125,344 | 78,010 |
| Gross profit | 129,332 | 56,740 |
| Operating expenses (income): | | |
| Selling, general and administrative | 23,933 | 17,726 |
| Research and development | 24,582 | 12,956 |
| Amortization | 1,135 | 1,237 |
| Restructuring | - | (179) |
| Other, net | 13 | (175) |
| Total operating expenses | 49,663 | 31,565 |
| Operating income | 79,669 | 25,175 |
| Interest expense, net | 1,299 | 1,783 |
| Loss on extinguishment of debt | 304 | - |
| Income from continuing operations before income taxes | 78,066 | 23,392 |
| Income tax provision | 24,983 | 567 |
| Income from continuing operations | 53,083 | 22,825 |
| Discontinued operations: | | |
| (Loss) income from discontinued operations before income taxes | (498) | 3,962 |
| Income tax (benefit) provision | (57) | 743 |
| (Loss) income from discontinued operations | (441) | 3,219 |
| Net income | \$ 52,642 | \$ 26,044 |
| Income (loss) per common share: | | |
| Basic: | | |
| Continuing operations | \$ 1.33 | \$ 0.59 |
| Discontinued operations | (0.01) | 0.08 |
| Income | \$ 1.32 | \$ 0.67 |
| Diluted: | | |
| Continuing operations | \$ 1.25 | \$ 0.54 |
| Discontinued operations | (0.01) | 0.08 |
| Income | \$ 1.24 | \$ 0.62 |
| Weighted average shares outstanding: | | |
| Basic | 39,842 | 38,784 |
| Diluted | 42,531 | 42,269 |

Q1 2011 Balance Sheet

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

| | March 31, 2011 (Unaudited) | December 31, 2010 |
|---|----------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 276,837 | \$ 245,132 |
| Short-term investments | 426,025 | 394,180 |
| Restricted cash | 76,117 | 76,115 |
| Accounts receivable, net | 94,041 | 150,528 |
| Inventories, net | 121,342 | 108,487 |
| Prepaid expenses and other current assets | 31,676 | 34,328 |
| Deferred income taxes, current | 5,772 | 13,803 |
| Total current assets | 1,031,810 | 1,022,573 |
| Property, plant and equipment, net | 48,981 | 42,320 |
| Goodwill | 52,003 | 52,003 |
| Deferred income taxes | 9,403 | 9,403 |
| Other assets, net | 20,814 | 21,735 |
| Total assets | \$ 1,163,011 | \$ 1,148,034 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 38,678 | \$ 32,220 |
| Accrued expenses and other current liabilities | 171,275 | 183,010 |
| Deferred profit | 4,518 | 4,109 |
| Income taxes payable | 21,347 | 56,369 |
| Liabilities of discontinued segment held for sale | 5,359 | 5,359 |
| Current portion of long-term debt | 94,973 | 101,367 |
| Total current liabilities | 336,150 | 382,434 |
| Long-term debt | 2,594 | 2,654 |
| Other liabilities | 392 | 434 |
| Total liabilities | 339,136 | 385,522 |
| Equity | 823,875 | 762,512 |
| Total liabilities and equity | \$ 1,163,011 | \$ 1,148,034 |

Q1 2011 Reconciliation

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

| | Three months ended | |
|---|--------------------|--------------------|
| | March 31, | |
| | 2011 | 2010 |
| Adjusted EBITA | | |
| Operating income | \$ 79,669 | \$ 25,175 |
| Adjustments: | | |
| Amortization | 1,135 | 1,237 |
| Equity-based compensation | 3,098 | 1,866 |
| Restructuring | - | (179) (1) |
| Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA") | <u>\$ 83,902</u> | <u>\$ 28,099</u> |
| Non-GAAP Net Income | | |
| Net income from continuing operations (GAAP basis) | \$ 53,083 | \$ 22,825 |
| Non-GAAP adjustments: | | |
| Amortization | 1,135 | 1,237 |
| Equity-based compensation | 3,098 | 1,866 |
| Restructuring | - | (179) (1) |
| Loss on extinguishment of debt | 304 | - |
| Non-cash portion of interest expense | 769 (2) | 741 (2) |
| Income tax effect of non-GAAP adjustments | <u>(1,838) (3)</u> | <u>(8,900) (3)</u> |
| Non-GAAP Net Income | <u>\$ 56,551</u> | <u>\$ 17,590</u> |
| Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS") | <u>\$ 1.33</u> | <u>\$ 0.42</u> |
| Diluted weighted average shares outstanding | 42,531 | 42,269 |

(1) During the first quarter of 2010, we recorded a restructuring credit of \$0.2 million associated with a change in estimate.

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

(3) By the end of 2010, the Company had fully utilized all prior NOL and tax credit carryforwards. As a result, beginning in 2011, the Company utilized the with and without method, at a 32% effective rate, to determine the income tax effect of non-GAAP adjustments. During the first quarter of 2010 we provided for income taxes at a 35% statutory rate 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.



Q2 2011 Guidance

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 June 30, 2011 | |
|--|--|------------------|
| | LOW | HIGH |
| Adjusted EBITA | | |
| Operating income | \$ 70,952 | \$ 86,452 |
| Adjustments: | | |
| Amortization | 1,454 | 1,454 |
| Equity-based compensation | 3,818 | 3,818 |
| Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA") | <u>\$ 76,224</u> | <u>\$ 91,724</u> |
| Non-GAAP Net Income | | |
| Net income from continuing operations (GAAP basis) | \$ 46,250 | \$ 56,792 |
| Non-GAAP adjustments: | | |
| Amortization | 1,454 | 1,454 |
| Equity-based compensation | 3,818 | 3,818 |
| Loss on extinguishment of debt | 2,794 | 2,794 |
| Non-cash portion of interest expense | 247 (1) | 247 (1) |
| Income tax effect of non-GAAP adjustments | (2,797) (2) | (2,825) (2) |
| Non-GAAP Net Income | <u>\$ 51,766</u> | <u>\$ 62,280</u> |
| Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS") | <u>\$ 1.20</u> | <u>\$ 1.45</u> |
| Diluted weighted average shares outstanding | 43,000 | 43,000 |

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

(2) By the end of 2010, the Company had fully utilized all prior NOL and tax credit carryforwards. As a result, beginning in 2011, the Company utilized the with and without method, at a 32% effective rate, 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.

Q1 2011 Segment 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 March 31, | |
|------------------------------|---------------------------------|------------|
| | 2011 | 2010 |
| LED & Solar | | |
| Bookings | \$ 198,265 | \$ 211,663 |
| Revenues | \$ 214,698 | \$ 111,505 |
| Operating income | \$ 72,272 | \$ 27,095 |
| Amortization | 714 | 796 |
| Equity-based compensation | 977 | 467 |
| Adjusted EBITA | \$ 73,963 | \$ 28,358 |
| Data Storage | | |
| Bookings | \$ 32,615 | \$ 26,372 |
| Revenues | \$ 39,978 | \$ 23,245 |
| Operating income | \$ 11,560 | \$ 2,458 |
| Amortization | 363 | 383 |
| Equity-based compensation | 308 | 215 |
| Restructuring | - | (179) |
| Adjusted EBITA | \$ 12,231 | \$ 2,877 |
| Unallocated Corporate | | |
| Operating loss | \$ (4,163) | \$ (4,378) |
| Amortization | 58 | 58 |
| Equity-based compensation | 1,813 | 1,184 |
| Adjusted loss | \$ (2,292) | \$ (3,136) |
| Total | | |
| Bookings | \$ 230,880 | \$ 238,035 |
| Revenues | \$ 254,676 | \$ 134,750 |
| Operating income | \$ 79,669 | \$ 25,175 |
| Amortization | 1,135 | 1,237 |
| Equity-based compensation | 3,098 | 1,866 |
| Restructuring | - | (179) |
| Adjusted EBITA | \$ 83,902 | \$ 28,099 |



Q1 2011 Highlights

Earnings Conference Call 4/25/11



Innovation. Performance. Brilliant.

VEECO INSTRUMENTS INC.
Terminal Drive
Plainview, New York 11803

NOTICE OF REDEMPTION
OF
4.125% CONVERTIBLE SUBORDINATED NOTES
DUE APRIL 15, 2012

CUSIP Number 922417AC4*

NOTICE IS HEREBY GIVEN that, pursuant to Section 6.01 of the First Supplemental Indenture dated as of April 20, 2007, as amended (the “Indenture”), by and between Veeco Instruments Inc. (the “Company”), as Issuer, and U.S. Bank Trust National Association, as Trustee and Paying Agent, all of the Company’s outstanding 4.125% Convertible Subordinated Notes due April 15, 2012 (the “Notes”) as of the date of this Notice of Redemption have been selected by the Company for optional redemption on May 26, 2011 (the “Redemption Date”), at a price of 100% of the principal amount of the outstanding Notes (the “Redemption Price”), plus accrued and unpaid interest thereon to, but not including, the Redemption Date. Interest on the Notes redeemed will cease to accrue on and after the Redemption Date. The CUSIP Number for the Notes being redeemed is 922417AC4. Approximately \$91,604,000 aggregate principal amount of the Notes remain outstanding as of the date of this Notice of Redemption. Capitalized terms used but not defined in this Notice of Redemption have the meanings specified in the Indenture.

Redemption

On the Redemption Date, each outstanding Note shall become due and payable as provided in the Indenture at the Redemption Price, plus interest accrued to, but excluding, the Redemption Date. Interest on the Notes being redeemed shall cease to accrue on and after such date (unless the Company defaults in making the payment due upon redemption). In order to collect the Redemption Price, holders of the Notes are directed to surrender the same for payment to U.S. Bank Trust National Association, as Paying Agent. Payment of the Redemption Price, plus the accrued and unpaid interest on the Notes to, but not including, the Redemption Date, will be paid upon presentation and surrender thereof at the following address:

U.S. Bank Trust National Association
Corporate Trust Services
100 Wall Street, Suite 1600
New York, NY 10005

or upon presentation and surrender thereof in the following manner:

If by Mail:

U.S. Bank Trust National Association
Corporate Trust Services
P.O. Box 64111
St. Paul, MN 55164-0111

If by Hand or Overnight Mail:

U.S. Bank Trust National Association
Corporate Trust Services
60 Livingston Avenue
1st Fl - Bond Drop Window
St. Paul, MN 55107

Notes held in book-entry form will be redeemed in accordance with the procedures of The Depository Trust Company. If the Notes are mailed, the use of registered certified mail, properly insured is recommended. To facilitate prompt payment, Notes should be surrendered as soon as possible to the Trustee.

Conversion Right of Holders

Subject to and in accordance with the terms and conditions set forth in the Indenture, holders of Notes being called for redemption pursuant to this Notice of Redemption have the right to convert their Notes at any time prior to the close of business on the second Scheduled Trading Day prior to the Redemption Date. The Observation Period for the conversion of the Notes being called for redemption is the twenty five (25) consecutive VWAP Trading Days beginning on and including the twenty-eighth (28th) Scheduled Trading Day prior to the Redemption Date (in other words, from April 15, 2011 through and including May 20, 2011). The right to convert the Notes being called for redemption shall therefore expire at 5:00 p.m., New York City time, on May 24, 2011. Holders of Notes must comply with the procedures set forth in Section 12.01(c) of the Indenture in order to effect the conversion of the Notes.

The Conversion Rate which is in effect as of the date of this Notice of Redemption for the Notes is 36.7277 shares of the Company's common stock per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$27.23 per share), subject to adjustment under certain circumstances. Holders of Notes should review current pricing information for the Company's common stock before making any decision regarding the conversion of their Notes before the Redemption Date.

U.S. Bank Trust National Association, as Conversion Agent, can be contacted at:

U.S. Bank Trust National Association
Corporate Trust Services
100 Wall Street, Suite 1600
New York, NY 10005
(212) 361-6173
(212) 361-6153 (fax)
Attn: Jean Clarke

Additional Information

The Trustee has notified the Company that the Trustee may be obligated to withhold a percentage of the redemption proceeds from any holder of Notes who has failed to furnish the Trustee with a valid taxpayer identification number or a certification that such holder is not subject to backup withholding. Holders of Notes who wish to avoid such withholding should submit a completed IRS Form W-9 when presenting Notes.

If you have any questions concerning the foregoing, please contact Gregory A. Robbins, Senior Vice President, General Counsel and Secretary, at (516) 677-0200 ext. 1034 or via mail c/o Veeco Instruments Inc., Terminal Drive, Plainview, New York 11803.

**CUSIP numbers have been assigned by CUSIP Service Bureau and are included solely for the convenience of the holders of the Notes. Neither the Company nor U.S. Bank Trust National Association shall be responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness as indicated in this Notice of Redemption.*

Date of Notice of Redemption: April 25, 2011.