Q1 2011 Highlights

Earnings Conference Call 4/25/11

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Introduction

Debra A. Wasser, SVP, Investor Relations

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Safe Harbor Statement

To the extent that this presentation discusses expectations or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made. These 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

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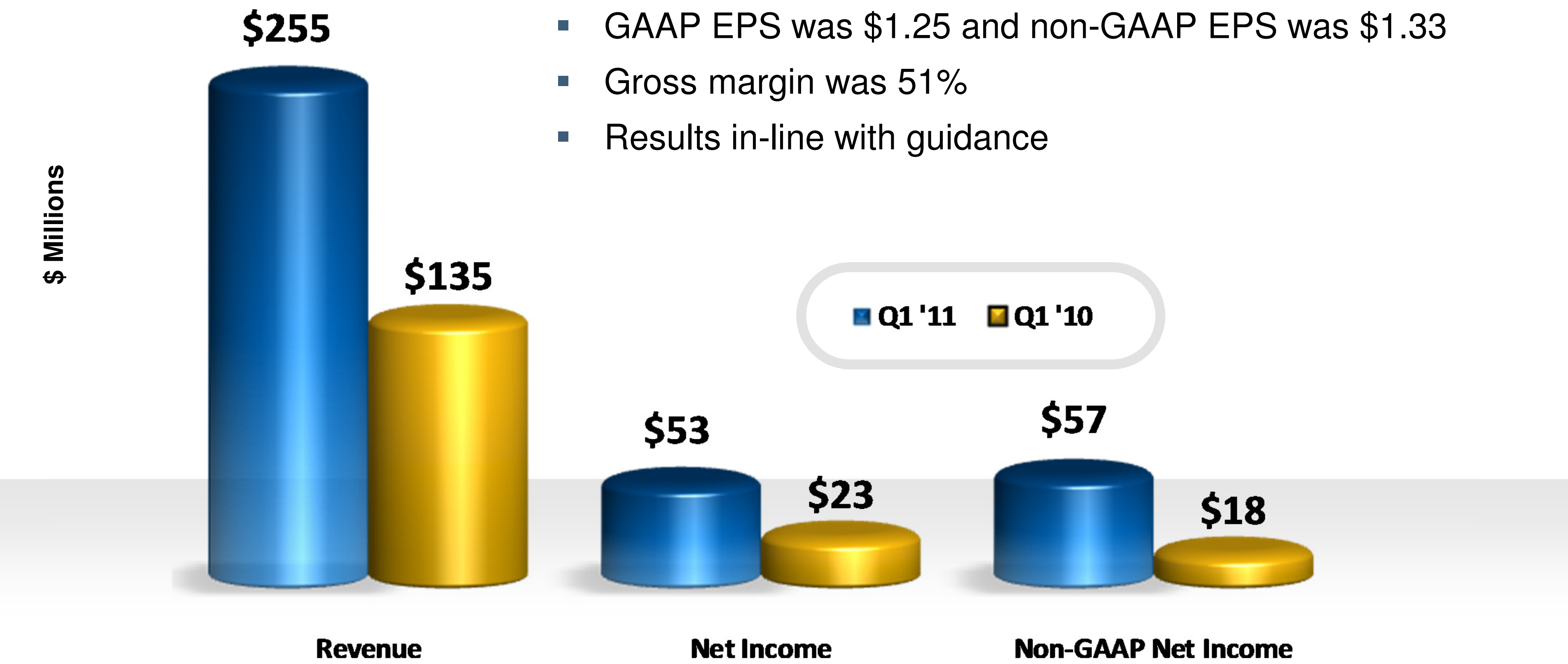
Q1 2011 Strong Performance Across the Board

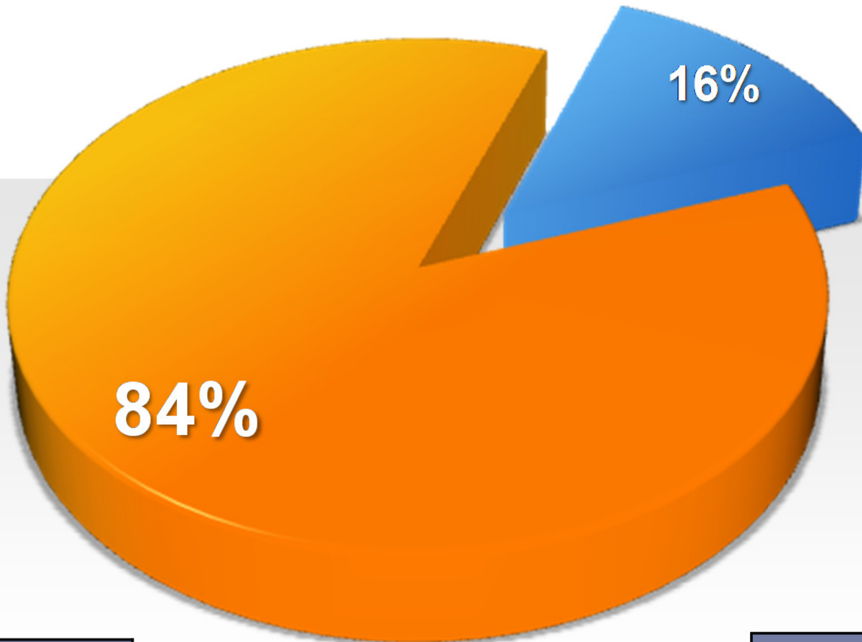
- Revenue declined 15% from the record Q4 ‘10 results, as expected, but increased 89% from Q1 ‘10
- GAAP EPS was $1.25 and non-GAAP EPS was $1.33
- Gross margin was 51%
- Results in-line with guidance



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

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

Data Storage
$40M

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

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

See reconciliation to GAAP at end of presentation

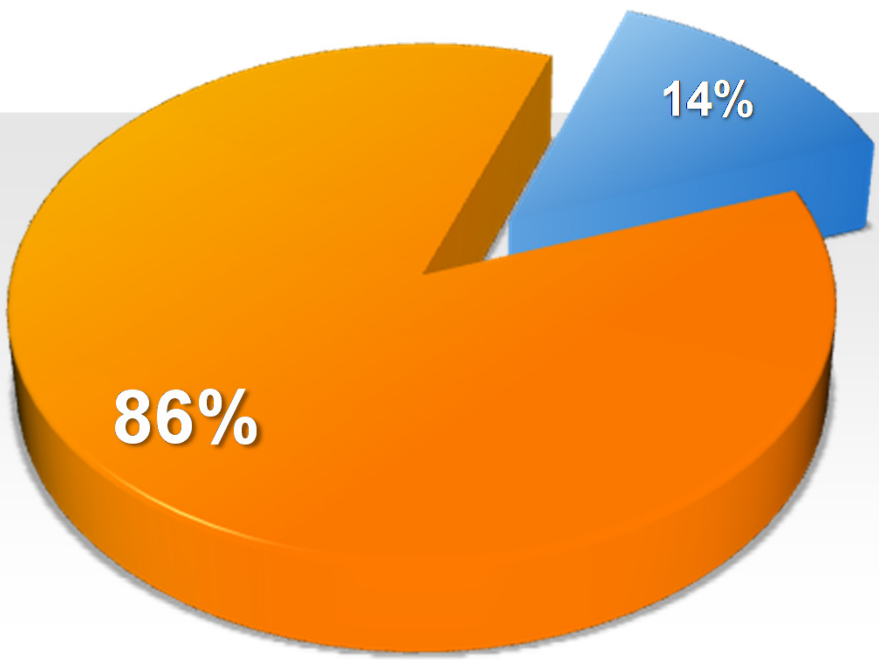
Q1 2011 Bookings Performance by Segment

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

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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

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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 all of outstanding 4.125% convertible subordinated notes due 2012 (~$91.6M aggregate principle amount)

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Business Update and Q2 Guidance

John R. Peeler, CEO

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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**

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Veeco CTC Opens to Support Customer Training Requirements

San'an
Neo-Neon™
epi-light
Aucksun
Sinoepi
Shangdong Raysun Huaguang Optoelectronics Co., LTD.
LatticePower
EnRayTek
SMA
ELEC-TECH
Original Equipment Manufacturing Elec-Tech International Co. Ltd.
GCL
ULED
清华同方 TSINGHUA TONGFANG
S.K.T.Shanghai
invenLux
HL
深圳市鑫飞鸿实业有限公司 Feihong Industry Co., Ltd.
CANYANG optoelectronics 江苏璨扬光电有限公司
杭州士兰明芯科技有限公司 Hang Zhou Silan Azure Co.,Ltd.

China Training Center, Shanghai, China

Goal: Train Hundreds of Engineers to Use Veeco MOCVD Systems

Veeco Becoming "Supplier of Choice" to Chinese Companies

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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

MaxBright

- 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

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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

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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

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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

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Financial Tables

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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	Three months ended March 31, 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		Three months ended March 31, 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")	$ 83,902		$ 28,099	
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	$ 56,551		$ 17,590	
Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS")	$ 1.33		$ 0.42	
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 carryfowards. 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		Guidance for the three months ending June 30, 2011 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")	$ 76,224		$ 91,724	
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	$ 51,766		$ 62,280	
Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS")	$ 1.20		$ 1.45	
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 carryfowards. 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	Three months ended March 31, 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

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