Q3 2016 Conference Call

Veeco Instruments Inc.

November 1, 2016

Safe Harbor

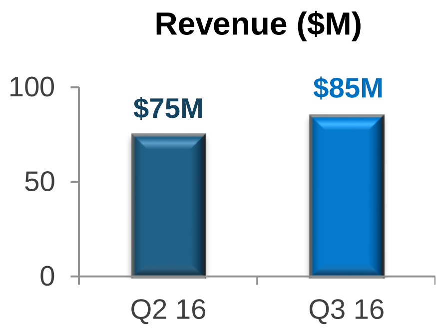
To the extent that this presentation discusses expectations or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made.

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, 2015 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.

CEO Introduction
John Peeler

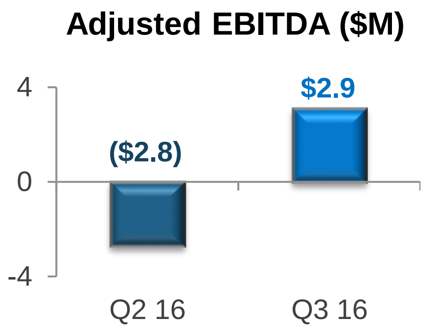
Q3 2016 Performance Summary

Revenue
$85M



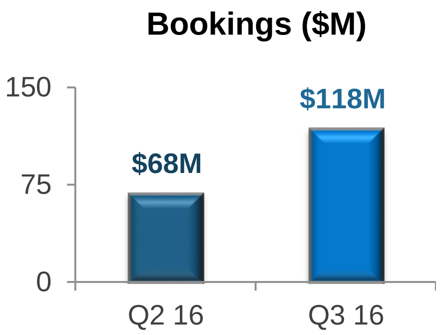
Slightly above top end of our guidance range

Adjusted EBITDA
$2.9M



Swing positive, exceeded expectations

Bookings
$118M



Marking a steep recovery in our MOCVD business

Solid operational performance with improving business conditions

Note: A reconciliation of GAAP to Non-GAAP financial measures is contained in the Back Up & Reconciliation Tables

Focused on Improving Through Cycle Profitability

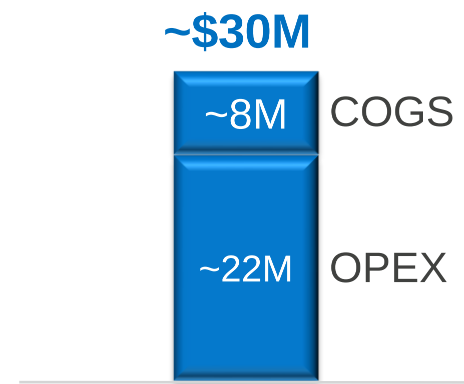
Executing restructuring plans

- Efforts are progressing to plan
- Consolidate 3 manufacturing operations into 1 facility

Lowering ALD investments

- Slowing future development investments due to delay in potential revenue realization

Reducing cost structure by ~$30M



- Quarterly adjusted EBITDA breakeven of ~$75M by Q1 2017

Creating a platform for consistent adjusted EBITDA profitability

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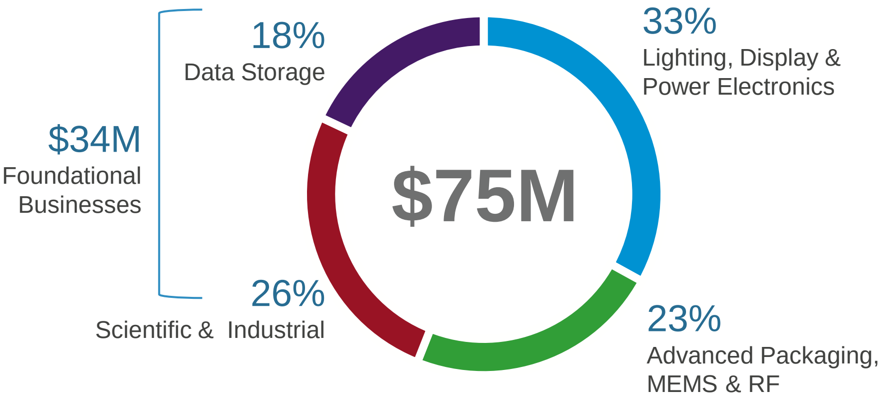
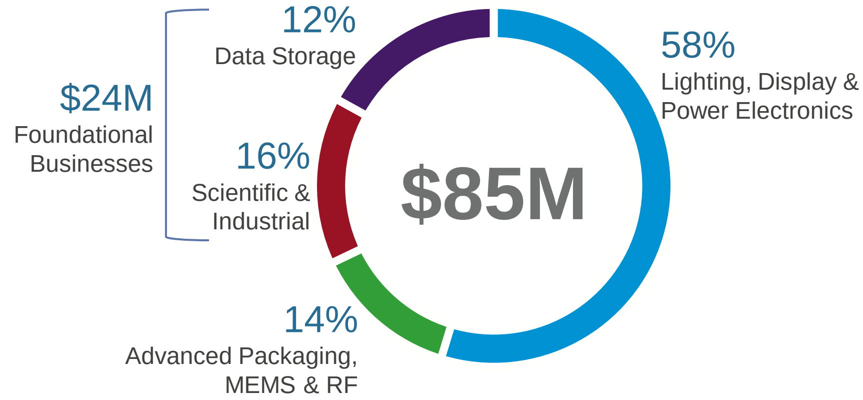
CFO Financial Review
Sam Maheshwari

Revenue Breakdown by Market and Geography

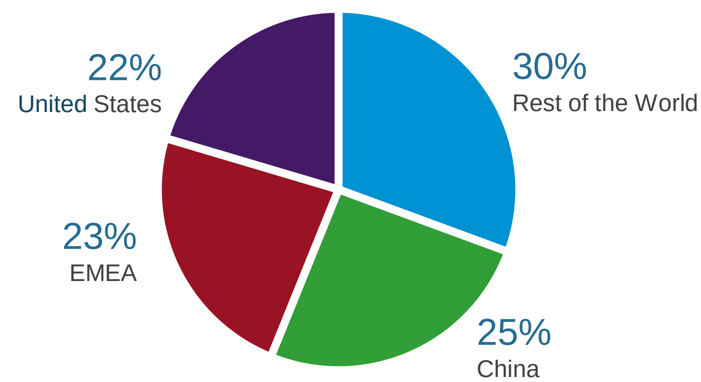
Q2 2016 Revenue by End Market



Q3 2016 Revenue by End Market



Q3 2016 Revenue by Geography



Q3 2016 Revenue of $85M:

- Lighting, Display & Power Electronics sales doubled Q/Q
- Bookings increased by ~74% to $118M in Q3

Note: Amounts may not calculate precisely due to rounding

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P&L Highlights

($M)	GAAP Q2 16	GAAP Q3 16	Non-GAAP Q2 16	Non-GAAP Q3 16
Revenue	$75.3	$85.5	$75.3	$85.5
Gross Profit	31.4	33.5	31.9	34.4
%	*41.7%*	*39.1%*	*42.4%*	*40.3%*
R&D	21.5	19.9	20.6	18.9
SG&A & Other	20.2	19.2	17.5	15.7
Net Income	(32.1)	(69.6)	(7.6)	(1.8)
EPS	($0.82)	($1.78)	($0.19)	($0.05)
Adjusted EBITDA			(2.8)	2.9
%			*-3.7%*	*3.4%*

- » OPEX lower than forecasted; benefitting from accelerated cost reduction efforts and certain one-time items
- » Adjusted EBITDA turned positive, demonstrating operational leverage in our financial model
- » GAAP Net Income reflects impact of cost reduction plans and includes ~$2M in restructuring and ~$56M primarily for ALD asset impairment charges

Notes: Amounts may not calculate precisely due to rounding
A reconciliation of GAAP to Non-GAAP financial measures is contained in the Back Up & Reconciliation Tables

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Financial Highlights

($M)	Q2 16	Q3 16
Cash & Short-term Investments	331	**337**
Accounts Receivable	42	**50**
Inventories	91	**87**
Accounts Payable	35	**27**
Cash Flow from Operations	(12)	**7**
DSO	50	**53**
DOI	189	**163**
DPO	72	**48**

» Grew cash balance by ~$6M

» Generated positive cash flow from operations of $7M

» Reduced DOI; starting to consume inventory to support MOCVD demand

Note: Amounts may not calculate precisely due to rounding

Q4 2016 Guidance

	GAAP	Non-GAAP
Revenue	\$85M–\$100M	\$85M–\$100M
Gross Margins	37%–39%	38%–40%
Net Income (Loss)	(\$13M)–(\$7M)	(\$3M)–\$3M
Earnings Per Share	(\$0.34)–(\$0.19)	(\$0.07)–\$0.07
Adjusted EBITDA		\$0M–\$6M

Note: A reconciliation of GAAP to Non-GAAP financial measures is contained in the Back Up & Reconciliation Tables

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Business Update & Outlook

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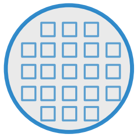
LED Industry Recovery is Underway

Display backlighting demand is stabilizing

- Display panel fundamentals improving; better than expected Q2 16 demand
- Multiple factors supporting continued recovery in 2017

LED lighting trends support ~15% unit CAGR

- Government initiatives spurring demand in the near-term
- Commercial replacement market is starting to take hold



LED supply / demand dynamics improving

- Packaged LED prices stabilizing; easing customer financial pressures
- MOCVD utilization rates remaining stable (flat-to-slightly higher Q/Q)

Veeco is well positioned to capitalize on MOCVD opportunities

Source: IHS, Trendforce, Veeco Instruments
Notes: CAGR – Compound Annual Growth Rate, based on IHS and Veeco estimates
QD – Quantum Dots
UHD – Ultra High Definition

Veeco MOCVD – A Winning Value Proposition

Delivering value through our differentiated technology

Leveraging our winning technology to capture breadth of LED opportunities

EPIK 700 GaN System

- Recognized MOCVD leader in lighting/display LEDs
- Industry benchmark for Cost of Ownership

K475i AsP System

- Rapidly gaining momentum for R/O/Y and IR LEDs
- Best-in-class film uniformity and repeatability

"We have achieved **superior yield results** and lowered manufacturing costs" *–President, Epistar*

"Veeco continues to **drive innovation** with MOCVD technology " *–General Manager, Changelight*

"Sanan chose the EPIK700 due to its **industry leading cost of ownership** model " *–Vice Chairman & CEO, Sanan*

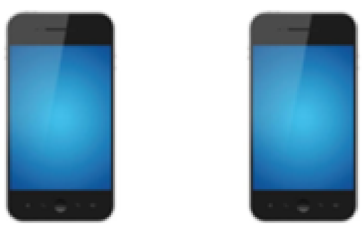
Notes: R/O/Y – Red, orange, yellow
IR – Infra-red

Veeco PSP – Market Trends Playing to our Strengths

Leader in single-wafer solvent solutions with proprietary ImmJET™ technology

RF Filter demand is growing

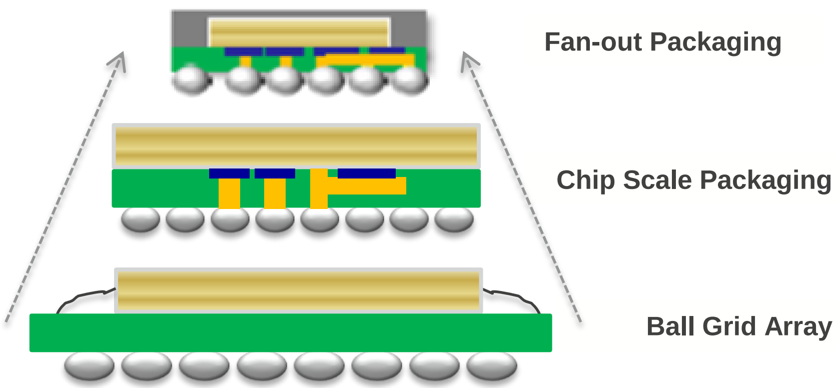
- Next gen wireless and carrier aggregation require more RF Filters / phone
- Veeco is well positioned across RF device makers



	2015	2020
# RF Filters	~50	~100

Advanced Packaging density increasing

- Tighter dimensions require resist films which are more challenging to remove
- Veeco offers COO advantage over batch tools



Source: Qualcomm, Veeco estimates
Notes: COO – Cost of Ownership

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Strengthening Our Foundational Business

Leveraging technology expertise to capture adjacent market opportunities while responsibly managing mature markets

#1 in Ion Beam Deposition & Etch

- Leader in hard-disk drive (HDD) manufacturing
- Expertise in magnetic materials processing pull

Data Storage

HDD Heads

MEMS

Microphones/ Sensors

Semiconductor

MRAM Memory/ EUV Blank Masks

#1 in Molecular Beam Epitaxy (MBE)

- Leader in advanced materials research
- Winning incremental production opportunities

Wireless (4G/5G)

pHEMTS

Industrial

Lasers for Materials Processing

Defense

IR Detectors

Note: pHEMTS - Pseudomorphic high-electron-mobility-transistors

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Summary

Leverage
technology expertise and leadership to win organic growth opportunities

Continue
actively exploring M&A opportunities

Drive
operational leverage to enhance shareholder value

Focus
on positioning Veeco for profitable growth


Q&A

Back Up & Reconciliation Tables

Note On Reconciliation Tables

These tables include financial measures adjusted for the impact of certain items; these financial measures are therefore not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). These Non-GAAP financial measures exclude items such as: share-based compensation expense; charges relating to restructuring initiatives; non-cash asset impairments; certain other non-operating gains and losses; and acquisition-related items such as transaction costs, non-cash amortization of acquired intangible assets, and incremental transaction-related compensation.

These Non-GAAP financial measures may be different from Non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. By excluding these items, Non-GAAP financial measures are intended to facilitate meaningful comparisons to historical operating results, competitors' operating results, and estimates made by securities analysts. Management is evaluated on key performance metrics including adjusted EBITDA, which is used to determine management incentive compensation as well as to forecast future periods.

These Non-GAAP financial measures may be useful to investors in allowing for greater transparency of supplemental information used by management in its financial and operational decision-making. In addition, similar Non-GAAP financial measures have historically been reported to investors; the inclusion of comparable numbers provides consistency in financial reporting. Investors are encouraged to review the reconciliation of the Non-GAAP financial measures used in this news release to their most directly comparable GAAP financial measures.

Supplemental Information—GAAP to Non-GAAP Reconciliation

US$ millions	Q2 16	Q3 16
Net Sales	$75.3	$85.5
GAAP Gross Profit	31.4	33.5
GAAP Gross Margin	41.7%	39.1%
Add: Share-Based Comp	0.5	0.6
Add: Accelerated Depreciation	—	0.4
Non-GAAP Gross Profit	$31.9	$34.4
Non-GAAP Gross Margin	42.4%	40.3%

US$ millions	Q2 16	Q3 16
GAAP Net Income (Loss)	($32.1)	($69.6)
Add: Share-Based Comp	4.0	3.7
Add: Acquisition Related	0.1	0.1
Add: Restructuring	2.1	1.8
Add: Amortization	5.3	5.3
Add: Asset Impairment	13.6	56.0
Add: Interest (Income) Expense	(0.2)	(0.3)
Add: Accelerated Depreciation	—	0.4
Add: Pension Termination	—	1.3
Add: Depreciation	3.4	3.1
Add: Taxes	1.0	1.1
Adjusted EBITDA	($2.8)	$2.9

US$ millions, except per share data	Q2 16	Q3 16
GAAP Basic EPS	(0.82)	(1.78)
GAAP Diluted EPS	(0.82)	(1.78)
GAAP Net Income (Loss)	(32.1)	(69.6)
Add: Share-Based Comp	4.0	3.7
Add: Acquisition Related	0.1	0.1
Add: Restructuring	2.1	1.8
Add: Amortization	5.3	5.3
Add: Asset Impairment	13.6	56.0
Add: Accelerated Depreciation	—	0.4
Add: Pension Termination	—	1.3
Add: Tax Adjustment from GAAP to Non-GAAP	(0.6)	(0.7)
Non-GAAP Net Income (Loss)	(7.6)	(1.8)
Non-GAAP Basic EPS	(0.19)	(0.05)
Non-GAAP Diluted EPS	(0.19)	(0.05)

Note: Amounts may not calculate precisely due to rounding

Q3 2016 GAAP to Non-GAAP Reconciliation

In millions, except per share data	GAAP	Non-GAAP Adjustments: Share-Based Compensation	Non-GAAP Adjustments: Amortization	Non-GAAP Adjustments: Other	Non-GAAP
Net Sales	$85.5				$85.5
Gross Profit	33.5	0.6		0.4	34.4
Gross Margin	39.1%				40.3%
Research and Development	19.9	(1.0)			18.9
Selling, General, and Administrative and Other	19.2	(2.1)		(1.4)	15.7
Net Income (Loss)	($69.6)	3.7	5.3	58.8	($1.8)
Income (Loss) Per Common Share:					
Basic	($1.78)				($0.05)
Diluted	(1.78)				(0.05)
Weighted Average Number of Shares:					
Basic	39				39
Diluted	39				39
Other Non-GAAP Adjustments					
Asset Impairment					56.0
Restructuring					1.8
Other					1.7
Non-GAAP Tax Adjustment					(0.7)
Total Other					58.8

Note: Amounts may not calculate precisely due to rounding
"Other" includes charges relating to Acquisition Related, Accelerated Depreciation and Pension Termination

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Q4 2016 Guidance GAAP to Non-GAAP Reconciliation

In millions, except per share data	GAAP	Non-GAAP Adjustments			Non-GAAP
		Share-Based Compensation	Amortization	Other	
Net Sales	$85–$100				$85–$100
Gross Profit	31–39	1	—	—	32–40
Gross Margin	37%–39%				38%–40%
Net Income (Loss)	($13)–($7)	5	4	1	($3)–$3
Income (Loss) per Diluted Share	($0.34)–($0.19)				($0.07)–$0.07

GAAP Net Income (Loss)	($13)–($7)
Share-Based Compensation	5
Amortization	4
Restructuring	1
Interest Income (Expense)	0
Depreciation	3
Income Tax Expense (Benefit)	0
Adjusted EBITDA	$0–$6

Note: Amounts may not calculate precisely due to rounding

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