



Shareholders' Meeting

Luna Innovations Incorporated

NASDAQ: LUNA

May 24, 2017

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

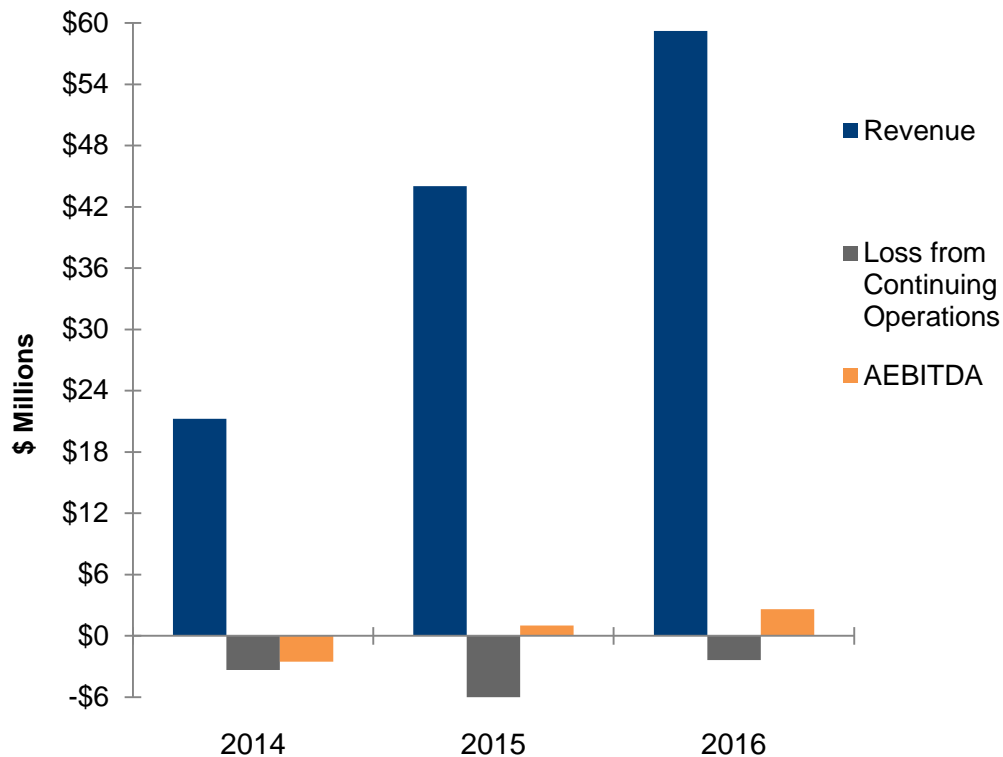
This presentation includes information that constitutes “forward-looking statements” made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These statements include the company's expectations regarding the company's future financial performance and the potential demand for the company's products. Management cautions the reader that these forward-looking statements are only predictions and are subject to a number of both known and unknown risks and uncertainties, and actual results, performance, and/or achievements of the company may differ materially from the future results, performance, and/or achievements expressed or implied by these forward-looking statements as a result of a number of factors. These factors include, without limitation, failure of demand for the company's products and services to meet expectations, technological challenges and those risks and uncertainties set forth in the company's periodic reports and other filings with the Securities and Exchange Commission ("SEC"). Such filings are available on the SEC's website at www.sec.gov and on the company's website at www.lunainc.com. The statements made in this presentation are based on information available to Luna as of the date of this presentation and Luna undertakes no obligation to update any of the forward-looking statements after the date of this presentation, except as required by law.

Non-GAAP Financial Measures

In addition to U.S. GAAP financial information, this presentation includes Adjusted EBITDA, a non-GAAP financial measure. This non-GAAP financial measure is in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. A reconciliation of Adjusted EBITDA to Loss from Continuing Operations is included in the appendix to this presentation.



- Each quarter of 2016 showed improved results year-over-year
 - \$4.1 million improvement in pre-tax results of operations
 - Q4 posted first quarterly operating profit in 5 years



- **Fiber Optic Sensing**

- Revolutionary technology to measure strain and fatigue in composite structures (aerospace/automotive)



- **High Speed Optical Receivers (HSORs)**

- 100G integrated coherent receivers for the Long-Haul and Metro networks
- Avalanche photodiodes (APDs) for Fiber-to-the-Home

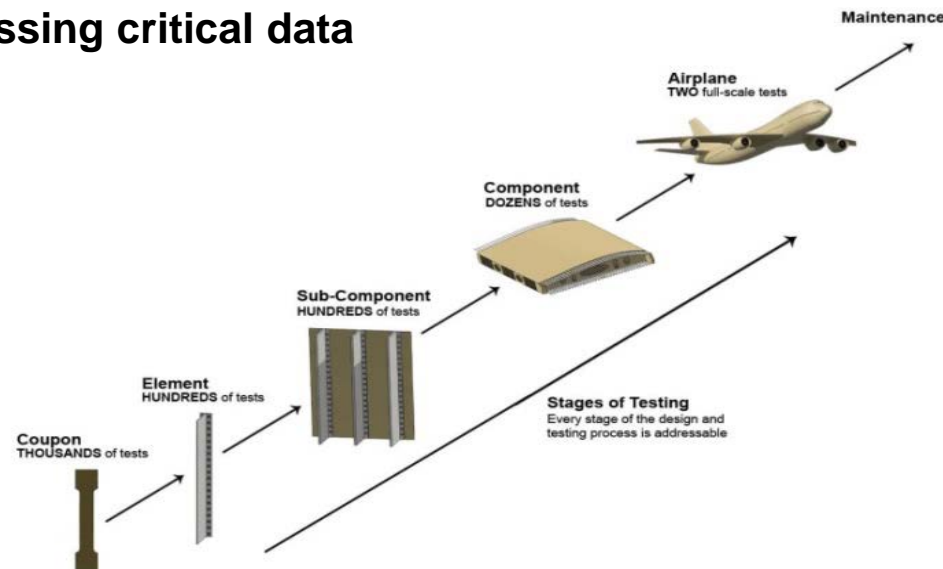


Critical data for aerospace and automotive designers and engineers

- Use of composites are growing
 - Aerospace
 - Automotive
- The use of traditional strain gages for testing are costly to install and missing critical data



Composites are non-homogenous



LUNA | We've Made Significant Progress In Aerospace

- Becoming a “standard of test”
- Structural wing test of the newest model of commercial aircraft
- Expanded into full-scale test on new military aircraft

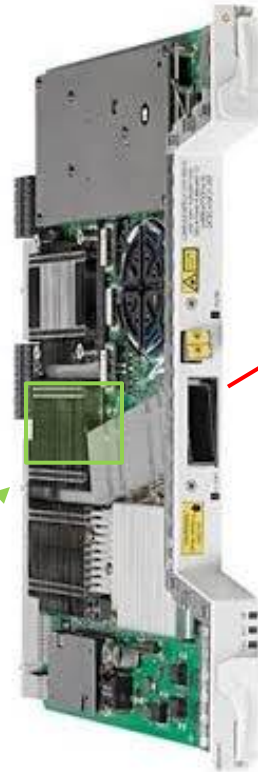
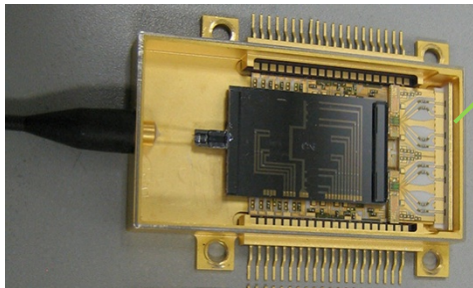


LUNA | Growing Need for 100G+ Coherent Receivers

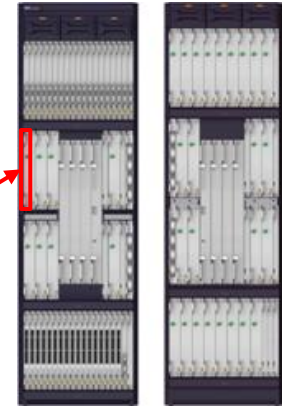
- **Telecom 100G market**

- In 2016, HSOR revenues in China grew by 87%
- Metro Network being upgraded to 100G in 2017

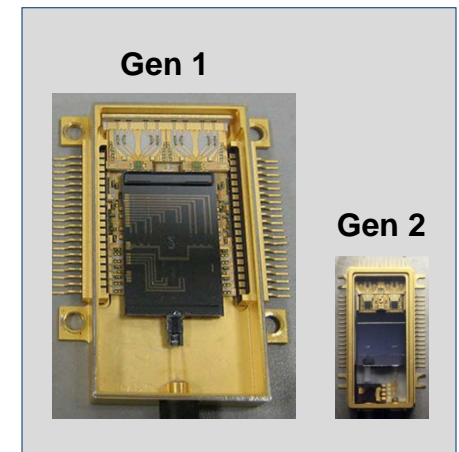
100G Coherent Receiver



Line card



Optical transmission network system



Gen 1 vs. Gen 2 (μ ICR) for Metro



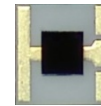
High Speed Optical Receivers (HSORs) and Avalanche Photodiodes (APDs)

- **Telecom Transmission**

- Long-Haul/Metro
 - 100G+ coherent receivers
- Fiber-to-the-Home/Premise (FTTx)
 - 10G APD



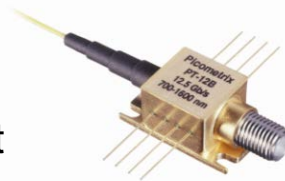
100G+ Coherent Receiver



10G APD

- **Test & Measurement**

- 10G and 100G manufacturing test



10G-100G PIN + Amplifier



- **Grow our revenues**
- **Improve our earnings**
- **Continued focus on our key strategic initiatives**
- **Leverage our solid position**



Questions?



LUNA | Reconciliation of Adjusted EBITDA

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Loss from Continuing Operations Before Income Taxes	\$ (4,489,878)	\$ (6,479,965)	\$ (2,294,126)
Interest Expense	96,229	220,403	320,942
Depreciation and Amortization	<u>607,693</u>	<u>2,457,032</u>	<u>3,713,879</u>
EBITDA	(3,785,956)	(3,802,530)	1,740,695
Share -Based Compensation	1,019,445	1,124,379	860,215
Transaction Costs	<u>242,762</u>	<u>3,704,019</u>	<u>-</u>
Adjusted EBITDA	<u>\$ (2,523,749)</u>	<u>\$ 1,025,868</u>	<u>\$ 2,600,910</u>

