

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 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): August 6, 2013

Luna Innovations Incorporated
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-52008
(Commission
File Number)

54-1560050
(IRS Employer
Identification No.)

**1 Riverside Circle, Suite 400
Roanoke, Virginia 24016**
(Address of principal executive offices, including zip code)

540-769-8400
(Registrant's telephone number, including area code)

(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))

Item 2.02. Results of Operations and Financial Condition

On August 6, 2013, Luna Innovations Incorporated (the "Company") issued a press release announcing its financial results for the second quarter ended June 30, 2013, as well as information regarding a conference call to discuss these financial results. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information in this Current Report on Form 8-K and the exhibit attached hereto is being furnished and 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 of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release dated August 6, 2013 by Luna Innovations Incorporated.

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.

Luna Innovations Incorporated

By: /s/ Talfourd H. Kemper, Jr.

Talfourd H. Kemper, Jr.
Vice President and General Counsel

Date: August 6, 2013

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release dated August 6, 2013 by Luna Innovations Incorporated.



Luna Innovations Incorporated Reports Second Quarter 2013 Financial Results

Products and licensing revenues increase 11% over prior year quarter; Total revenues decrease 11% from prior year quarter

(ROANOKE, VA, August 6, 2013) – Luna Innovations Incorporated (NASDAQ: LUNA) today announced its financial results for the second quarter and six months ended June 30, 2013.

As compared to the same quarter last year, total revenue decreased by 11%, from \$6.7 million in the second quarter of 2012 to \$6.0 million in the second quarter of 2013. Products and licensing revenues increased 11% compared to the second quarter of 2012 driven by higher sales of the company's ODISI product line in addition to increased revenue from the development of the company's fiber optic shape sensing product. Products and licensing revenues for the second quarter also increased 69% compared to the first quarter of 2013.

Technology development revenues declined by 28% compared to the second quarter of 2012 due primarily to the continued lower level of contract research projects within the company's optical systems group. Technology development revenues grew by 7% compared to the first quarter of 2013. Gross profit decreased from \$2.7 million for the second quarter of 2012 to \$2.4 million for the second quarter of 2013. Operating expenses for the second quarter of 2013 increased \$0.2 million, or 6%, over the second quarter of 2012.

The company reported a net loss attributable to common stockholders of \$1.0 million, or \$0.07 per common share, for the second quarter of 2013, compared to a net loss of \$0.3 million, or \$0.02 per common share, in the same quarter last year. Adjusted EBITDA, a non-GAAP measure, which is earnings before interest, taxes, and non-cash expenses of share-based compensation, depreciation, amortization and warrant expense, decreased to \$(0.3) million for the second quarter of 2013, as compared to \$0.4 million for the second quarter of 2012.

"I am pleased to report growth in the Products and Licensing segment of our business," said My Chung, chief executive officer of Luna. "Growth in sales of our ODISI products for measuring

strain and temperature continued to offset the softness of the telecom test and measurement market for us. The multi-year renewal of our agreement with Intuitive Surgical during the second quarter also provides a strong base for growth in the future as we work toward the commercialization of the shape sensing platform.”

Second Quarter Financial and Business Summary

- Total revenues decreased by 11%, from \$6.7 million in the second quarter of 2012 to \$6.0 million in the second quarter of 2013.
- Technology development revenues decreased by 28%, to \$2.8 million, for the second quarter of 2013, from \$3.9 million for the second quarter of 2012. Technology development revenues increased by 7% compared to the first quarter of 2013.
- Products and licensing revenue increased by 11%, from \$2.8 million in the second quarter of 2012 to \$3.2 million in the second quarter of 2013. Products and licensing revenue increased 69% over the first quarter of 2013.
- Gross profit for the second quarter of 2013 decreased to \$2.4 million, or 40% of total revenues, from \$2.7 million, or 41% of total revenues, for the second quarter of 2012.
- Selling, general and administrative expenses increased by 5% to \$2.7 million, or 45% of total revenues for the second quarter of 2013, from \$2.5 million, or 37% of total revenues, for the second quarter of 2012.
- Total operating expenses increased to \$3.3 million, or 56% of total revenues, for the second quarter of 2013 from \$3.1 million, or 47% of total revenues for the second quarter of 2012.
- Adjusted EBITDA decreased to \$(0.3) million in the second quarter 2013 from \$0.4 million in the second quarter of 2012.
- Net loss attributable to common stockholders for the second quarter of 2013 increased to \$1.0 million from \$0.3 million for the second quarter of 2012.
- Cash and cash equivalents totaled \$8.7 million at June 30, 2013, as compared to \$6.3 million at December 31, 2012 and \$10.3 million at March 31, 2013. Net cash used during the quarter was adversely impacted by a \$1.1 million increase in accounts receivable at June 30 compared to March 31, driven primarily by the timing of sales during the second quarter.

Six Months Ended June 30, 2013 Financial Summary

- Total revenue decreased by 22% to \$10.5 million for the six months ended June 30, 2013 compared to \$13.4 million for the six months ended June 30, 2012.
- Technology development revenues decreased by 31%, from \$7.8 million for the six months ended June 30, 2012 to \$5.4 million for the six months ended June 30, 2013.
- Products and licensing revenue decreased by 9%, from \$5.6 million for the six months ended June 30, 2012 to \$5.0 million for the six months ended June 30, 2013.
- Gross profit for the six months ended June 30, 2013 decreased by 30%, to \$3.8 million, compared to a gross profit of \$5.5 million for the six months ended June 30, 2012. Gross margin percentages decreased to 36% of revenues for the first six months of 2013 from 41% of revenues for the first six month of 2012.
- Selling, general and administrative expenses was relatively unchanged at \$5.2 million, representing 49% of total revenues for the six months ended June 30, 2013 compared to 39% of total revenues for the six months ended June 30, 2013.
- Total operating expenses increased to \$6.7 million, or 64% of total revenues, for the six months ended June 30, 2013, from \$6.5 million or 48% of total revenues, for the six months ended June 30, 2012.
- Adjusted EBITDA decreased to \$(1.7) million for the six months ended June 30, 2013 from \$0.5 million for the six months ended June 30, 2012.
- Net income attributable to common stockholders improved to \$1.8 million for the six months ended June 30, 2013, compared to a net loss attributable to common stockholders of \$0.6 million for the six months ended June 30, 2012 largely the result of a net after-tax gain of \$3.9 million realized on the sale of the company's Secure Computing and Communications group in the first quarter.

Non-GAAP Measures

In evaluating the operating performance of its business, Luna's management excludes certain charges and credits that are required by generally accepted accounting principles ("GAAP"). These non-GAAP results provide useful information to both management and investors by excluding items that the company believes may not be indicative of its operating performance, because either they are unusual and the company does not expect them to recur in the ordinary course of its business or they are unrelated to the ongoing operation of the business in the ordinary course. These non-GAAP measures should be considered in addition to results and guidance prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. The non-GAAP measures included in this press release have been reconciled to the nearest GAAP measure in the table following the financial statements attached to this press release.

Conference Call Information

As previously announced, Luna will conduct an investor conference call at 5:00 p.m. (EDT) today to discuss its financial results and business developments for the second quarter of 2013. The call can be accessed by dialing **800.299.9630** domestically or **617.786.2904** internationally prior to the start of the call. The participant access code is **24290407**. Investors are advised to dial in at least five minutes prior to the call to register. The conference call will also be webcast live over the Internet. The webcast can be accessed by logging on to the "Investor Relations" section of the Luna website, www.lunainc.com, prior to the event. The webcast will be archived under the "Webcasts and Presentations" section of the Luna website for at least 30 days following the conference call.

About Luna:

Luna Innovations Incorporated (www.lunainc.com) is focused on sensing and instrumentation. Luna develops and manufactures new-generation products for the healthcare, telecommunications, energy and defense markets. The company's products are used to measure, monitor, protect and improve critical processes in the markets it serves.

Forward-Looking Statements:

The statements in this release that are not historical facts constitute "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 our expectations regarding the company's future growth and commercialization of the company's shape sensing platform. 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. Such filings are available at the SEC's website at www.sec.gov and at the company's website at www.lunainc.com. The statements made in this release are based on information available to the company as of the date of this release and Luna undertakes no obligation to update any of the forward-looking statements after the date of this release.

Luna Innovations Incorporated
Condensed Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(unaudited)		(unaudited)	
Revenues:				
Technology development revenues	\$ 2,807,296	\$ 3,894,846	\$ 5,434,537	\$ 7,837,546
Products and licensing revenues	<u>3,165,764</u>	<u>2,845,864</u>	<u>5,035,439</u>	<u>5,559,677</u>
Total revenues	5,973,060	6,740,710	10,469,976	13,397,223
Cost of revenues:				
Technology development costs	2,209,158	2,729,108	4,381,135	5,428,304
Products and license costs	<u>1,355,643</u>	<u>1,267,201</u>	<u>2,288,062</u>	<u>2,514,696</u>
Total cost of revenues	<u>3,564,801</u>	<u>3,996,309</u>	<u>6,669,197</u>	<u>7,943,000</u>
Gross Profit	<u>2,408,259</u>	<u>2,744,401</u>	<u>3,800,779</u>	<u>5,454,223</u>
Operating expense:				
Selling, general and administrative	2,658,605	2,526,638	5,167,251	5,183,614
Research, development, and engineering	<u>666,632</u>	<u>608,459</u>	<u>1,507,124</u>	<u>1,293,240</u>
Total operating expense	<u>3,325,237</u>	<u>3,135,097</u>	<u>6,674,375</u>	<u>6,476,854</u>
Operating loss	(916,978)	(390,696)	(2,873,596)	(1,022,631)
Other income/(expense):				
Other income, net	15,307	23,265	86,540	46,533
Interest expense	<u>(49,781)</u>	<u>(74,357)</u>	<u>(107,960)</u>	<u>(154,015)</u>
Total other expense	(34,474)	(51,092)	(21,420)	(107,482)
Loss from continuing operations before income taxes	(951,452)	(441,788)	(2,895,016)	(1,130,113)
Income tax (benefit)/expense	<u>(160,855)</u>	<u>—</u>	<u>(956,055)</u>	<u>5,799</u>
Loss from continuing operations	(790,597)	(441,788)	(1,938,961)	(1,135,912)
(Loss)/income from discontinued operations, net of income taxes	<u>(161,485)</u>	<u>199,268</u>	<u>3,772,476</u>	<u>558,644</u>
Net (loss)/income	(952,082)	(242,520)	1,833,515	(577,268)
Preferred stock dividend	<u>26,366</u>	<u>26,784</u>	<u>49,995</u>	<u>60,880</u>
Net (loss)/income attributable to common stockholders	<u>\$ (978,448)</u>	<u>\$ (269,304)</u>	<u>\$ 1,783,520</u>	<u>\$ (638,148)</u>
Net loss per share from continuing operations:				
Basic	\$ (0.06)	\$ (0.03)	\$ (0.14)	\$ (0.08)
Diluted	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>	<u>\$ (0.14)</u>	<u>\$ (0.08)</u>
Net (loss)/income per share from discontinued operations:				
Basic	\$ (0.01)	\$ 0.01	\$ 0.27	\$ 0.04
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.01</u>	<u>\$ 0.23</u>	<u>\$ 0.03</u>
Net (loss)/income per share attributable to common stockholders:				
Basic	\$ (0.07)	\$ (0.02)	\$ 0.13	\$ (0.05)
Diluted	<u>\$ (0.07)</u>	<u>\$ (0.02)</u>	<u>\$ 0.11</u>	<u>\$ (0.05)</u>
Weighted average common shares and common equivalent shares outstanding:				
Basic	14,362,494	13,892,816	14,206,598	13,885,684
Diluted	14,362,494	16,314,620	16,558,357	16,325,402

Luna Innovations Incorporated
Condensed Consolidated Balance Sheets

	June 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,742,869	\$ 6,340,461
Accounts receivable, net	6,702,987	7,059,635
Inventory, net	3,646,133	3,336,916
Prepaid expenses	560,275	667,773
Other current assets	70,207	35,629
Total current assets	19,722,471	17,440,414
Property and equipment, net	2,141,390	2,426,638
Intangible assets, net	377,638	437,839
Other assets	80,293	152,877
Total assets	\$22,321,792	\$ 20,457,768
Liabilities and stockholders' equity		
Liabilities :		
Current Liabilities		
Current portion of long term debt obligation	1,625,000	1,500,000
Current portion of capital lease obligation	55,734	54,091
Accounts payable	2,238,501	1,797,571
Accrued liabilities	2,531,515	2,747,175
Deferred credits	611,269	832,822
Total current liabilities	7,062,019	6,931,659
Long-term debt obligation	1,375,000	2,125,000
Long-term lease obligation	100,633	128,917
Total liabilities	8,537,652	9,185,576
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	1,322	1,322
Common stock	14,688	14,245
Additional paid-in capital	62,089,490	61,361,505
Accumulated deficit	(48,321,360)	(50,104,880)
Total stockholders' equity	13,784,140	11,272,192
Total liabilities and stockholders' equity	\$22,321,792	\$ 20,457,768

Luna Innovations Incorporated
Condensed Consolidated Statements of Cash Flows

	Six months ended	
	June 30,	
	2013	2012
	(unaudited)	
Cash used in operating activities		
Net income (loss)	\$ 1,833,515	\$ (577,268)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	489,244	528,113
Share-based compensation	618,084	928,368
Warrant expense	—	12,032
Gain on sale of discontinued operations, net of income taxes	(3,868,114)	—
Allowance for doubtful accounts or bad debt expense	124,810	—
Change in assets and liabilities:		
Accounts receivable	834,122	(1,212,864)
Inventory	(309,217)	(69,186)
Other current assets	(40,647)	150,289
Other assets	72,584	37,583
Accounts payable and accrued expenses	174,916	(847,341)
Deferred credits	(221,553)	(328,491)
Net cash used in operating activities	<u>(1,313,794)</u>	<u>(1,378,765)</u>
Cash flows provided by/(used in) investing activities		
Acquisition of property and equipment	(69,108)	(123,732)
Intangible property costs	(145,858)	(55,847)
Proceeds from sale of discontinued operations, net of fees	4,522,460	—
Net cash provided by/(used in) investing activities	<u>4,307,494</u>	<u>(179,579)</u>
Cash flows used in financing activities		
Payments on capital lease obligations	(26,641)	(25,094)
Payment of debt obligations	(625,000)	(750,000)
Proceeds from the exercise of options and warrants	60,349	33,830
Net cash used in financing activities	<u>(591,292)</u>	<u>(741,264)</u>
Net increase/(decrease) in cash or cash equivalents	2,402,408	(2,299,608)
Cash and cash equivalents, beginning of period	<u>6,340,461</u>	<u>8,939,127</u>
Cash and cash equivalents, end of period	<u>\$ 8,742,869</u>	<u>\$ 6,639,519</u>

Luna Innovations Incorporated
Reconciliation of Net Income/(Loss) to EBITDA and Adjusted EBITDA

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(unaudited)		(unaudited)	
Net income/(loss)	\$ (952,082)	\$ (242,520)	\$ 1,833,515	\$ (577,268)
Less (loss)/income from discontinued operations, net of income taxes	(161,485)	199,268	3,772,476	558,644
Loss from continuing operations	(790,597)	(441,788)	(1,938,961)	(1,135,912)
Interest expense	49,781	74,357	107,960	154,015
Tax (benefit) expense	(160,855)	—	(956,055)	5,799
Depreciation and amortization	260,979	244,012	489,244	528,113
EBITDA	(640,692)	(123,419)	(2,297,812)	(447,985)
Share-based compensation	304,568	473,784	618,084	928,368
Warrant expense	—	147	—	12,032
Adjusted EBITDA	\$ (336,124)	\$ 350,512	\$ (1,679,728)	\$ 492,415

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Investor Contact:

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