



A Letter to our Shareholders

On behalf of our Board of Directors and leadership team, I want to thank you, our shareholders, for your continued support of and interest in Luna Innovations.

2020 was an extraordinary year. Despite the year's unprecedented challenges due to the Covid-19 pandemic, Luna delivered record-breaking operational and financial performance. We reported record revenue and continued to invest in our long-term growth by completing two acquisitions, one of which was transformational. Our purpose, "Enabling the Future with Fiber", served as a clear guide for us throughout the year and as a reminder of why we exist and the value that we bring.



Scott A. Graeff, President & CEO

I am incredibly proud of our talented and dedicated team, and their accomplishments. We were deemed an essential business early on in the pandemic, bringing additional meaning and critical value to the products and services that we provide. While staying focused on maintaining a healthy, safe and supportive environment for each other, the team continued to serve our customers with the highest level of excellence during these trying times. Like so many others, when the reality of the pandemic set in, we had to quickly pivot to new ways of working as a team, new ways of marketing and new ways of conducting meetings and supporting customers. Maintaining continuous, honest communication throughout the organization and externally has been critical to our being able to operate safely, efficiently and successfully. Ongoing, open communication and a safety-minded focus continue to be our top priorities.

We entered 2020 with plans to continue to invest strategically in our business so that we could continue to grow and scale significantly, well into the future. While managing the ongoing business, our team did an incredible job of managing multiple initiatives to expand and enhance core infrastructure and foundation, including a new cloud-based ERP system and sales enterprise applications.



Delivering Results in 2020

With a superior product portfolio in sensing, testing, measurement and control solutions, we believe that we are extremely well positioned to take advantage of mega-trends such as light-weighting, electric vehicles and increased demands on data centers and broadband capacity, such as 5G. Customers and the end-markets we serve proved the need for our products and services, despite a global pandemic, and ultimately drove our strong financial performance in fiscal 2020.

For the full-year 2020, revenue increased 17% year-over year to \$82.7 million, and adjusted EBITDA increased to \$13.1 million¹, an improvement of 38% from 2019. This strong performance was driven primarily by top-line growth from both our legacy businesses -- including the largest order in our history from Lockheed Martin – as well as from acquisitions, combined with prudent expense management.

Acquisitive Growth

Over the past few years, you have seen Luna evolve; systematically refocusing our business to pursue our vision of “Enabling the Future with Fiber.” We have divested certain assets that were not strategic to our long-term strategy and acquired other key assets that will help drive further growth – such as our two most recent acquisitions in 2020. We continue to be excited about the opportunities they bring, expanding our fiber optic-based test and measurement and fiber optic sensing offerings.

In November of last year, we acquired New Ridge Technologies (NRT). The solutions brought by this acquisition are a perfect complement to our communications test and measurement portfolio. The integration of NRT’s products with Luna’s will help our customers enhance connectivity by developing faster communications networks to support everything from 5G buildout, to the continued expansion of bandwidth inside datacenters.

In December, we announced the acquisition of OptaSense, a leader in distributed acoustic sensing. This transformational acquisition filled a gap in our portfolio for long-range distributed sensing, and was a major step forward for Luna, positioning us as a global fiber optic leader and powerhouse in distributed fiber sensing. OptaSense adds significantly to Luna’s ability to penetrate and grow key target markets, such as infrastructure, transportation and perimeter security, as well as adding access to larger, high-growth markets, such as oil and gas and pipeline monitoring.



Poised for Success

What we do with fiber, both in terms of classic test and measurement and on the sensing side where the fiber is used as the sensor itself, is unique. Our potential is significant, and we believe that we are in the midst of a market shift that continues to accelerate the adoption of the capabilities that Luna provides. Increasingly, we are seeing true market pull; very significant players realize the impact of incorporating optical fiber sensors into their products and are contacting us as customers and partners. In 2021, we look to continue with new product developments and to strengthen our strategic partnerships.

I remain very grateful to the Board for their steady guidance, and to the entire Luna team for their focus and dedication in these unprecedented times. As CEO, I'm incredibly proud that our hard work delivered record-breaking results for you – our investors. I am confident in Luna's strategy to build success over the long-term, extremely optimistic about our future, and I look forward to reporting on our accomplishments in 2021.

With deep appreciation,

A handwritten signature in black ink, appearing to read "Scott Graeff". The signature is stylized and cursive.

Scott Graeff
CEO, Luna Innovations

¹ A reconciliation of GAAP to Non-GAAP measures may be found in the schedules included in the Q4 2020 press release filed with the SEC on March 11, 2021.

