

**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): March 26, 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 March 26, 2013, Luna Innovations Incorporated (the “Company”) issued a press release announcing its financial results for the fourth quarter and full year ended December 31, 2012, and 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 March 26, 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: March 26, 2013

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release dated March 26, 2013 by Luna Innovations Incorporated.



News Release
Luna Innovations Incorporated
1 Riverside Circle, Suite 400
Roanoke, VA 24016

Luna Reports Fourth Quarter 2012 and Full Year Financial Results

Revenues decreased 5% from prior year quarter and 9% for the year; Net loss flat year over year

(ROANOKE, VA, March 26, 2013) – Luna Innovations Incorporated (NASDAQ: LUNA) today announced its financial results for the fourth quarter and year ended December 31, 2012.

For the fourth quarter of 2012, Luna realized a net loss attributable to common stockholders of \$0.6 million, or \$0.04 per share, compared to a net loss attributable to common stockholders of \$0.4 million, or \$0.03 per share, for the fourth quarter of 2011. Revenues decreased 5% to \$7.8 million in the fourth quarter of 2012 from \$8.1 million in the fourth quarter of the preceding year, reflecting \$0.2 million growth in the Technology Development segment more than offset by a decrease of \$0.6 million in revenue from the Products and Licensing segment. Gross profit remained relatively unchanged at approximately \$2.7 million for the most recent quarter and for the fourth quarter of last year.

For the year, total revenues decreased 9% to \$32.3 million for 2012 compared to \$35.6 million in 2011. Products and Licensing revenue was \$11.3 million in 2012 compared to \$13.2 million in 2011, while full year revenues in the company's technology development segment declined to \$21.1 million in 2012 compared to \$22.4 million in 2011. Gross profit decreased to \$12.2 million for 2012 compared to gross profit of \$13.2 million in 2011. Net loss attributable to common stockholders remained unchanged at \$1.5 million, or \$0.11 per common share, for 2012 and 2011.

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 \$0.2 million for the fourth quarter of 2012 compared to \$0.6 million for the fourth quarter of 2011 and to \$1.9 million for full year 2012 from \$2.6 million in 2011.

On March 4, 2013, the company announced that it had sold its Secure Computing and Communications (“SCC”) group effective March 1, 2013, a component of the Technology Development segment. Revenues for 2012 included approximately \$6 million associated with SCC.

“The sale of our SCC group allowed us to increase liquidity while continuing to focus on the growth potential of our core fiber-optic technologies,” said My Chung, chief executive officer of Luna. “With the completion of this transaction, we have accelerated the monetization of our secure computing technologies and generated cash to mitigate our risk of reductions in government spending.”

Fourth Quarter Financial and Business Summary

- Total revenues decreased by 5%, to \$7.8 million for the fourth quarter of 2012, from \$8.1 million for the fourth quarter of 2011.
- Technology development revenues increased by 4%, to \$5.2 million for the fourth quarter of 2012, from \$5.0 million for the fourth quarter of 2011.
- Products and licensing revenues decreased by 19%, to \$2.5 million in the fourth quarter of 2012, from \$3.1 million in the fourth quarter of 2011, including a decrease of approximately \$0.3 million in sales of fiber optic test and measurement equipment and approximately \$0.3 million of reductions in funded product development activities.
- Gross profit decreased to \$2.6 million for the fourth quarter of 2012, from \$2.7 million for the fourth quarter of 2011.
- Selling, general and administrative expenses increased by 7% to \$2.6 million, or 34% of total revenues for the fourth quarter of 2012, from \$2.4 million, or 30% of total revenues, for the fourth quarter of 2011.
- Total operating expenses remained relatively unchanged at \$3.2 million, or 41% of total revenues, for the fourth quarter of 2012 and 39% of total revenues for the fourth quarter of 2011.

- Adjusted EBITDA decreased to \$0.2 million for the fourth quarter of 2012, from \$0.6 million for the fourth quarter of 2011.
- Net loss attributable to common stockholders declined to \$0.6 million, or (\$0.04) per basic and diluted common share, for the fourth quarter of 2012, compared to a net loss attributable to common stockholders of \$0.4 million, or (\$0.03) per basic and diluted common share, for the fourth quarter of 2011.
- Cash and cash equivalents totaled \$6.3 million at December 31, 2012, as compared to \$8.9 million at December 31, 2011. Outstanding principal on our term loan decreased from \$5.3 million at December 31, 2011 to \$3.6 million at December 31, 2012.
- Introduced the OBR 5T-50 in November of 2012 to address the production line needs of the telecommunications industry.

Year Ended December 31, 2012 Financial Summary

- Total revenue decreased \$3.3 million, or 9%, to \$32.3 million for the year ended December 31, 2012, compared to \$35.6 million for the year ended December 31, 2011.
- Products and licensing revenue decreased by 15%, to \$11.3 million for the year ended December 31, 2012, from \$13.2 million for the year ended December 31, 2011.
- Technology development revenues decreased by 6%, to \$21.1 million for the year ended December 31, 2012, from \$22.4 million for the year ended December 31, 2011.
- Gross profit decreased by 8%, to \$12.2 million for the year ended December 31, 2012, from \$13.2 million for the year ended December 31, 2011.
- Selling, general and administrative expenses decreased by 8% to \$10.8 million, or 33% of total revenues, for the year ended December 31, 2012, from \$11.8 million, or 33% of total revenues, for the year ended December 31, 2011.
- Total operating expenses decreased by 8% to \$13.4 million, or 41% of total revenues, for the year ended December 31, 2012, from \$14.5 million, or 41% of total revenues, for the year ended December 31, 2011.
- Adjusted EBITDA decreased to \$1.9 million for the year ended December 31, 2012 from \$2.7 million for the year ended December 31, 2011.
- Net loss attributable to common stockholders remained unchanged at \$1.5 million, or \$0.11 per basic and diluted common share, for the year ended December 31, 2012 and for the year ended December 31, 2011.

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. (EST) today to discuss its financial results and business developments for the fourth quarter and full year of 2012. The call can be accessed by dialing **866.713.8565** domestically or **617.597.5324** internationally prior to the start of the call. The participant access code is **21120821**. 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. Through its disciplined commercialization business model, Luna has become a recognized leader in transitioning science to solutions. Luna is headquartered in Roanoke, Virginia.

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 growth potential of fiber-optic technology and the company’s technical capabilities. 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 December 31,		Year ended December 31,	
	2012	2011	2012	2011
	(unaudited)			
Revenues				
Technology development	\$ 5,229,644	\$ 5,011,387	\$21,098,286	\$22,417,902
Products and licensing	<u>2,535,087</u>	<u>3,137,113</u>	<u>11,250,717</u>	<u>13,195,822</u>
Total revenues	<u>7,764,731</u>	<u>8,148,500</u>	<u>32,349,003</u>	<u>35,613,724</u>
Cost of revenues				
Technology development	3,680,434	3,882,508	14,928,887	15,793,279
Products and licensing	<u>1,420,063</u>	<u>1,530,436</u>	<u>5,242,043</u>	<u>6,589,943</u>
Total cost of revenues	<u>5,100,497</u>	<u>5,412,944</u>	<u>20,170,930</u>	<u>22,383,222</u>
Gross profit	<u>2,664,234</u>	<u>2,735,556</u>	<u>12,178,073</u>	<u>13,230,502</u>
Operating expenses				
Selling, general and administrative	2,620,524	2,448,321	10,804,156	11,788,866
Research, development and engineering	<u>589,540</u>	<u>724,455</u>	<u>2,558,417</u>	<u>2,674,730</u>
Total operating expenses	<u>3,210,064</u>	<u>3,172,776</u>	<u>13,362,573</u>	<u>14,463,596</u>
Operating loss	(545,830)	(437,220)	(1,184,500)	(1,233,094)
Other income (expense)				
Interest	(64,056)	(85,890)	(286,529)	(376,524)
Other	<u>22,498</u>	<u>169,772</u>	<u>108,061</u>	<u>227,565</u>
Loss before income taxes	(586,908)	(353,338)	(1,362,968)	(376,524)
Income tax expense	<u>—</u>	<u>—</u>	<u>21,417</u>	<u>10,307</u>
Net loss	(586,908)	(353,338)	(1,384,385)	(1,392,360)
Preferred stock dividend	<u>24,780</u>	<u>32,510</u>	<u>119,754</u>	<u>127,462</u>
Net loss attributable to common stockholders	<u>\$ (611,688)</u>	<u>\$ (385,848)</u>	<u>\$ (1,504,139)</u>	<u>\$ (1,519,822)</u>
Net loss per share of common stock				
Basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>
Weighted average shares				
Basic and diluted	<u>14,008,772</u>	<u>13,794,361</u>	<u>13,930,267</u>	<u>13,647,555</u>

Luna Innovations Incorporated
Condensed Consolidated Balance Sheets

	December 31,	
	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,340,461	\$ 8,939,127
Accounts receivable, net	7,059,635	5,958,086
Inventory, net	3,336,916	3,330,773
Prepaid expenses	667,773	1,071,438
Other current assets	35,629	35,717
Total current assets	<u>17,440,414</u>	<u>19,355,141</u>
Property and equipment, net	2,426,638	2,816,674
Intangible assets, net	437,839	539,563
Other assets	152,877	228,043
Total assets	<u>\$ 20,457,768</u>	<u>\$ 22,919,421</u>
Liabilities and stockholders' equity		
Current liabilities		
Current portion of long term debt obligation	\$ 1,500,000	\$ 1,625,000
Current portion of capital lease obligation	54,091	50,949
Accounts payable	1,797,571	1,656,602
Accrued liabilities	2,747,175	3,612,193
Deferred credits	832,822	1,462,603
Total current liabilities	6,931,659	8,407,347
Long-term debt obligations	2,125,000	3,625,000
Long-term capital lease obligations	128,917	183,008
Total liabilities	<u>9,185,576</u>	<u>12,215,355</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock	1,322	1,322
Common stock	14,245	13,969
Additional paid-in capital	61,361,505	59,289,516
Accumulated deficit	(50,104,880)	(48,600,741)
Total stockholders' equity	<u>11,272,192</u>	<u>10,704,066</u>
Total liabilities and stockholders' equity	<u>\$ 20,457,768</u>	<u>\$ 22,919,421</u>

Luna Innovations Incorporated
Condensed Consolidated Statements of Cash Flows

	Year ended December 31,	
	2012	2011
Cash flows from operating activities		
Net loss	\$(1,384,385)	\$(1,392,360)
Adjustments to reconcile net loss to cash (used in)/ provided by operating activities		
Depreciation and amortization	1,092,027	1,462,511
Stock-based compensation	1,862,533	2,163,290
Bad debt expense		
Changes in operating assets and liabilities		
Accounts receivable	(1,101,549)	1,711,539
Inventory	(10,482)	(224,173)
Other assets	478,919	(321,430)
Accounts payable and accrued expenses	(724,050)	(288,989)
Deferred credits	(629,781)	(119,999)
Net cash (used in)/ provided by operating activities	<u>(416,768)</u>	<u>2,990,389</u>
Cash from investing activities		
Acquisition of property and equipment	(371,390)	(327,704)
Intangible property costs	<u>(224,537)</u>	<u>(347,813)</u>
Net cash used in investing activities	<u>(595,927)</u>	<u>(675,517)</u>
Cash flows from financing activities		
Proceeds from debt obligations	—	6,000,000
Payments on debt obligations	(1,625,000)	(6,867,393)
Payment on capital lease obligations	(50,949)	(42,383)
Proceeds from exercise of options and warrants	<u>89,978</u>	<u>317,451</u>
Net cash used in financing activities	<u>(1,585,971)</u>	<u>(592,325)</u>
Net change in cash	(2,598,666)	1,722,547
Cash and cash equivalents—beginning of period	<u>8,939,127</u>	<u>7,216,580</u>
Cash and cash equivalents—end of period	<u>\$ 6,340,461</u>	<u>\$ 8,939,127</u>

Luna Innovations Incorporated
Reconciliation of Net Loss to EBITDA and Adjusted EBITDA

	Three months ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
(unaudited)				
Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA:				
Net loss	\$(586,908)	\$(353,338)	\$(1,384,385)	\$(1,392,360)
Interest	64,057	85,891	286,529	376,524
Taxes	—	—	21,417	10,307
Depreciation and amortization	277,529	419,811	1,092,027	1,462,511
EBITDA	(245,322)	152,364	15,588	456,982
Share based compensation expense	450,861	426,018	1,862,533	2,163,290
Warrant expense	(35,696)	18,586	17,190	60,338
Adjusted EBITDA	<u>\$ 169,843</u>	<u>\$ 596,968</u>	<u>\$ 1,895,311</u>	<u>\$ 2,680,610</u>

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Investor Contact:

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