



B. Riley
19th Annual Institutional Investor Conference
Scott Graeff, President and CEO

May 2018

Safe Harbor

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 measures. This non-GAAP financial measures 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.

Luna is a global company providing innovative products and solutions using proprietary fiber optic technologies

Incorporated	1990
IPO	2006
Reporting segments	<ul style="list-style-type: none">■ Technology Development■ Products & Licensing
Financials	FY17 revenue \$46.2M; AEBITDA \$2.5M
HDQ	Roanoke, VA
Employees	200+, including leading engineers, scientists, innovators

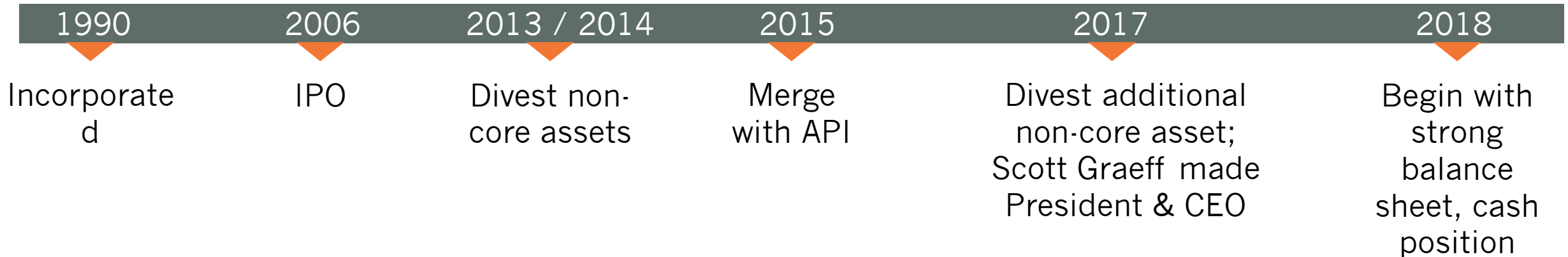


Luna has a clear vision and established history

Vision

To be a leader in optical measurement technology that improves accuracy and precision, while reducing risk and cost, all to power growth and value for our global customers.

History



Our customers are in capital-intensive industries including aerospace, automotive & communications



We use optical technology, innovation & our expertise to help customers realize 3 primary benefits:

- ➔ Test and measure key product components with higher precision and greater accuracy
- ➔ Reduce risk and cost for manufacturing customers
- ➔ Provide usable data analytics faster

Luna's products are used to measure, monitor, protect and improve critical processes for our customers, so they can focus on making the world safer and more connected

We leverage four strong capabilities to deliver industry-leading solutions for our customers

Objective: Generate long-term shareholder value through development and commercialization of innovative technologies



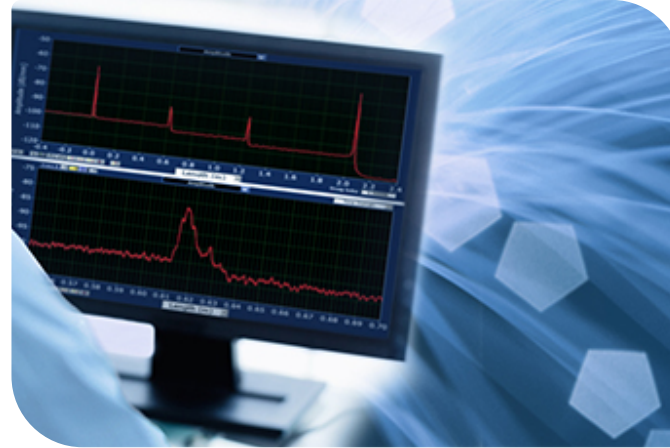
For customers in **large, capital-intensive industries**: Aerospace, Automotive, Communications, Energy and Defense

Our business model accelerates the process of bringing new and innovative products to market



Structural & Material Test

Deliver high-definition distributed strain & temperature sensing data not available using conventional measurement technologies



Communications Test & Measurement

Design and manufacture, high performance fiber optic test instruments for communications market



Technology development, Terahertz and Optoelectronic Systems

Cutting edge measurement technologies & highly leverageable, third party funded research

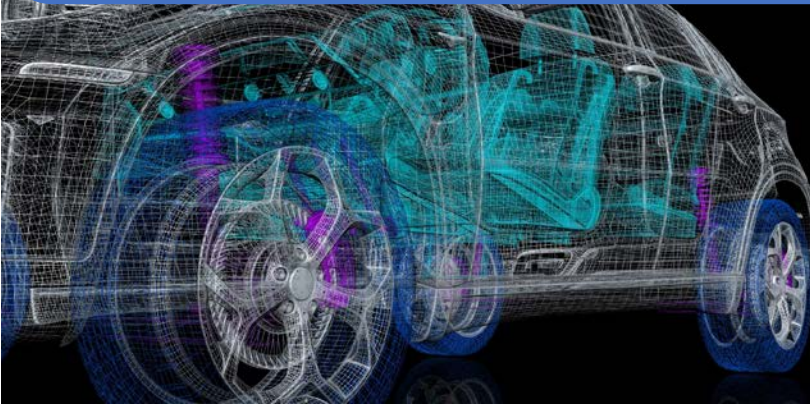
What problem does Luna solve?

NASDAQ: LUNA
Luna Innovations Incorporated © 2018

Strong growth opportunity through Luna's fiber optic technologies (Lightwave)

Luna's fiber optic technologies are used two ways:

SENSING



Aerospace and Automotive

Measuring strain and temperature in composites and other advanced materials: far superior to conventional technologies

OPTICAL TEST & MEASUREMENT



Communications

Testing optical components and networks deployed by the Tele- and Data-communications market

There are strong drivers of growth for our technology in Automotive and Aerospace



Challenges we address

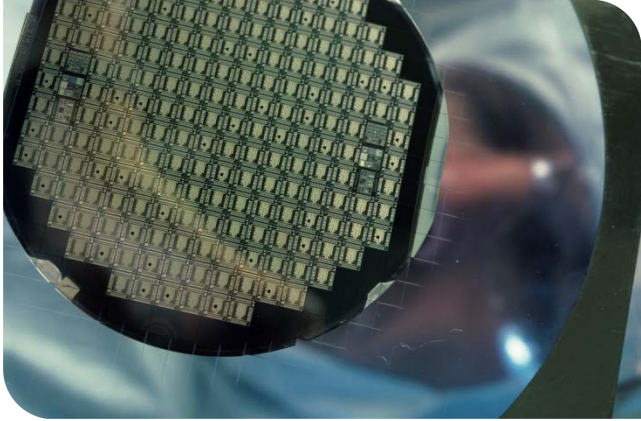
- Instrumenting complex parts
- Performing fatigue testing in composites
- New materials have very large changes in strain over short distances
- Identifying small defects, eliminate false positives
- Mapping complex strain profiles



Drivers for our products

- Testing requirements changing drastically with introduction of new materials and lighter-weight designs
- Strain and temperature measurements fundamental to performance and safety in aerospace and automotive markets
- Incumbent technologies (strain gages, RTDs, etc.) do not scale well to meet challenges of modern design

There are two distinct growth opportunities for our technology in the Communications market



Optical component development and manufacturing

Silicon photonics is creating demand for advanced test solutions

- We are at the beginning of the era of optical connectivity in silicon
- Luna products offer 30x faster device characterization vs competition
- Accelerate time to market through reduced iteration of design, fab, test



Fiber and short network test

Bandwidth demands continue to drive double-digit connectivity growth

- Luna products deliver unprecedented visibility into short-haul networks
- Increase quality and reduce time to market for new designs

We have an extensive IP portfolio

- Company wide over 200 patents issued or under application
- Lightwave has 112 associated patents and patent applications
 - 91 developed within Luna
 - 77 sold to and in-licensed back from Intuitive
 - 11 developed and licensed from Coherent (exclusive)
 - 10 developed and licensed from NASA (non-exclusive)
- Basic OFDR implementation is licensed from NASA patents (non-exclusive)
- Coherent licenses result in control over tunable laser, most critical system element
 - Phoenix laser manufactured at our contract manufacturer
- Critical elements of optical design, laser control, calibration and processing algorithms covered by a combination of Luna-developed IP and trade secrets
 - These combine to produce superior performance and marketability with respect to speed, dynamic range and resolution



Our executive team has deep expertise in innovation and commercialization



Scott Graeff
President & CEO



Dale Messick
CFO



Brian Soller, Ph.D.
VP & GM, Lightwave Division



James Garrett, Ph.D.
VP, Technology Development

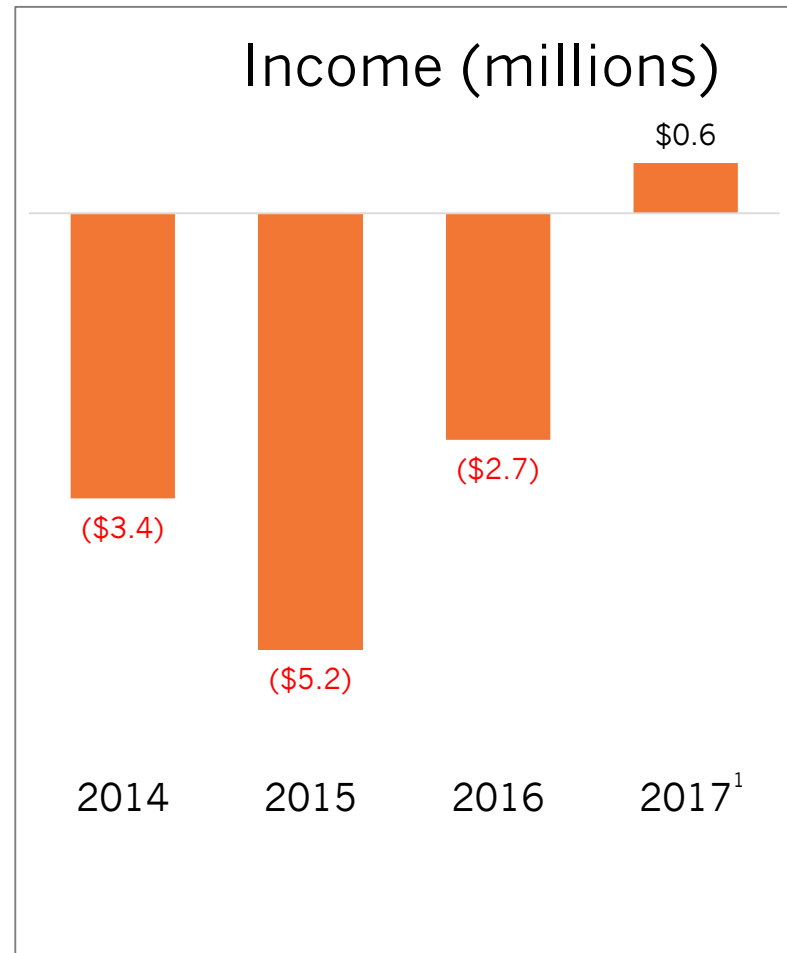
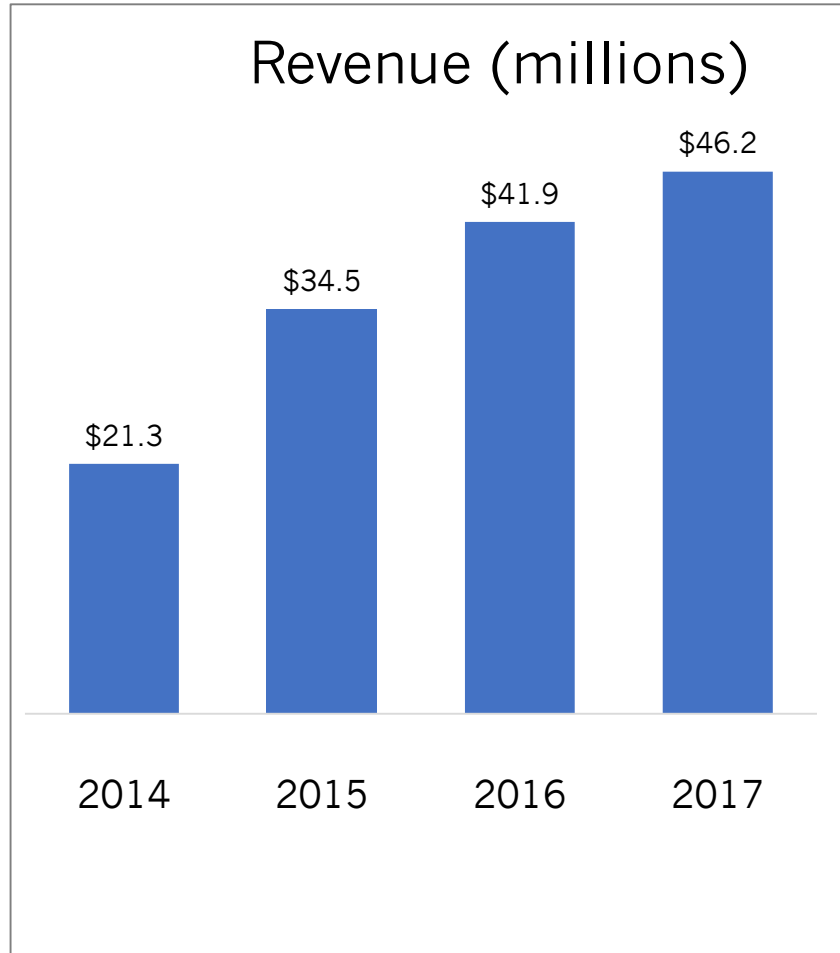


Jean-Pierre Maufra
GM, Luna Optoelectronics



Margaret Murdock
GM, Terahertz Division

We delivered record financial performance in 2017, building on several years of steady improvement...

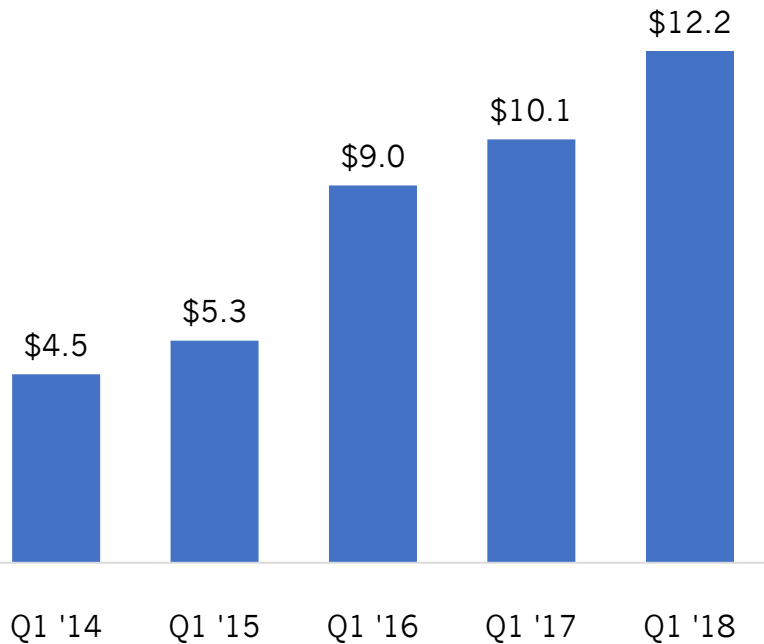


- Double-digit organic revenue growth year-over-year
- Positive income from continuing operations in 2017¹

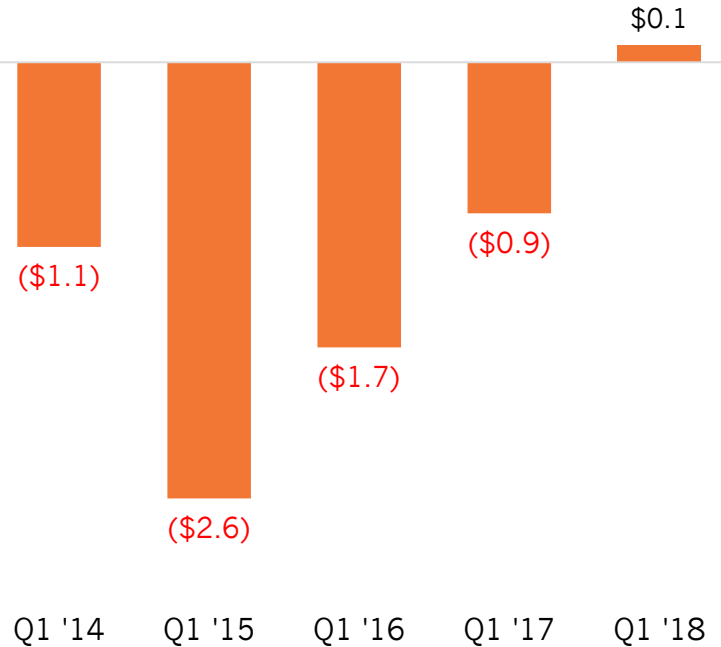
¹ 2017 income from continuing ops normalized for a one-time pre-tax charge

...And our First Quarter results demonstrated continued momentum

Revenue (millions)



Income (millions)



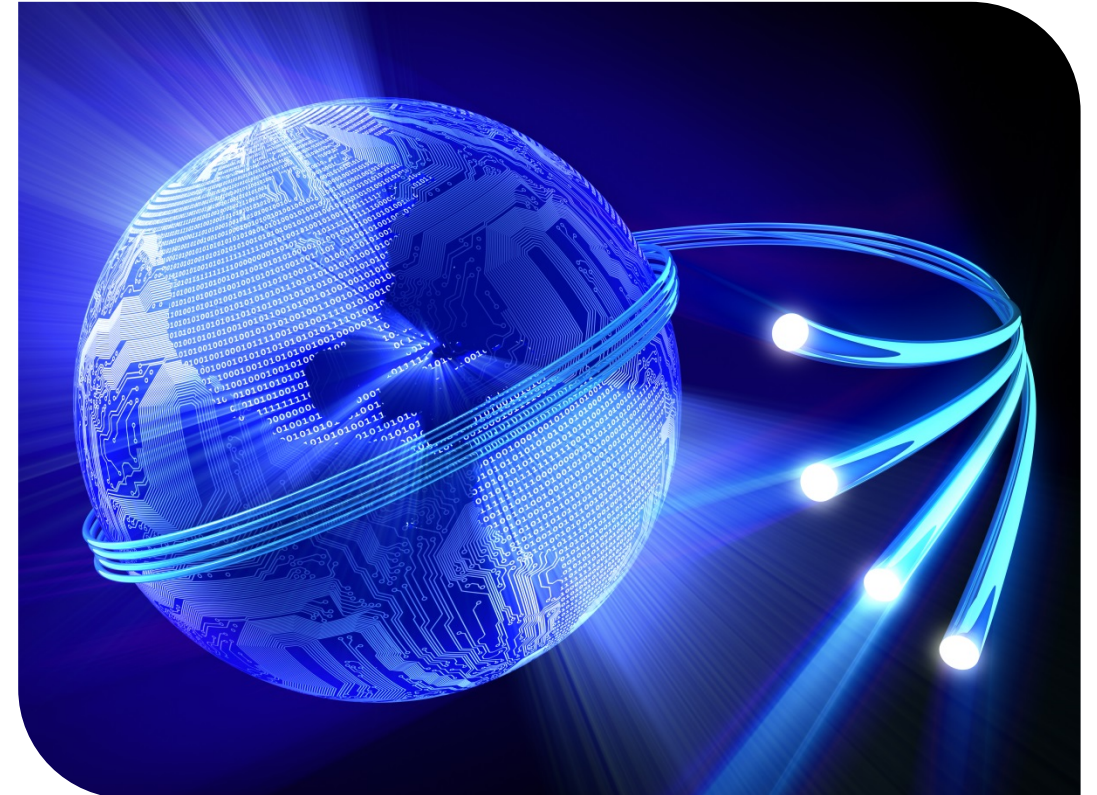
- 21% revenue growth year-over-year
- Positive income from continuing operations in Q1 2018
- \$1 million improvement in income from continuing operations

We have a disciplined capital deployment strategy to leverage our flexible balance sheet and strong cash position

- \$63 Million in total assets
 - \$33 Million in cash
 - \$44 Million in working capital
- A disciplined approach to capital deployment, with a focus on working capital and reinvestment in the business to generate long-term sustainable growth
- Strategic investments will continue to be made
 - Continue to invest in the organic growth of the company
 - Addition of professionals to our Lightwave sales and marketing team
 - Additional engineers to accelerate the product road map
 - Disciplined acquisition strategy
- Additional capital allocation may include share repurchase dependent on corporate earnings growth and company valuation

Why invest in Luna?

- **Proprietary**, measurement technology, offering **unprecedented** combination of resolution, accuracy and speed
- Customers in **attractive markets**: Aerospace, Automotive, Communications, Energy and Defense
- Positioned to **take advantage of trends** such as vehicle light-weighting and increasing demands on data centers and broadband capacity
- **Adequately capitalized** to fund growth
- Long-tenured, **experienced** executive team / board
- Corporate culture of **innovation and integrity**
- **Compelling value**: currently trading at an attractive multiple



Questions

