

28 January 2026 Australia

Vection Technologies Ltd (ASX:VR1, OTC:VCTNY, FRA:S1X), ("Vection" or the "Company"), a leading provider of **INTEGRATEDXR®** and **AI-powered** digital transformation solutions, is pleased to update the market on its operational activities and associated cash flows for the quarter ended 31 December 2025, and up to the date of this announcement.

HIGHLIGHTS:

- Customer cash receipts of \$17.5m, up ~250% quarter-on-quarter (Q1 FY26: \$5.0m) and ~166% year-on-year (Q2 FY25: \$6.6m), reflecting strong conversion of contracted revenues and improved collections.
- Net operating cash flow of +\$1.8 m, compared to a net operating cash flow of (\$1.7m) in the previous quarter, year-on-year (Q2FY25: +\$0.05m); marking a return to positive operating cash flow.
- Cash and cash equivalents of \$14 m at quarter end, up from \$2.3m at 30 September 2025.
- In Q2 FY26, debt was reduced by approximately \$4.8 million
- First \$7.8m order received under the \$22.3m NATO-aligned Defence framework, transitioning the Defence Program into a structured, multi-year delivery phase through to FY30.
- Estimated FY26 revenue from this single Defence customer now \$7.7m, with total recognised revenue delivered to date of \$12.3m (unaudited), demonstrating execution capability and program continuity.
- \$1.5m in new AI purchase orders secured during the quarter across multiple industries, with approximately 45% from renewals and upselling, supporting growth in recurring revenue.
- Launched and consolidated the investment program for M&A (with acquisitions in Australia and Hong Kong nearing completion), scalability of platforms by integrating AI+XR and new brand identity and market positioning.
- The Total Contracted Value (TCV) across all programs is \$29.6m.
- Total Pipeline In negotiation (3-year forward rolling) is circa \$59.5m.

Gianmarco Biagi, Managing Director & CEO of Vection Technologies, commented:

"The December quarter marks a significant shift in Vection's financial results, with a strong increase in cash receipts and a positive operating cash flow.

This growth is driven by the conversion of previously contracted revenues, particularly within the Defence program, together with the seasonal normalisation of cash collections following the European summer.

It is also notable that the Company received its first order under the new NATO-aligned Defence framework, confirming the transition from pilot projects and ad-hoc orders to a structured, multi-year delivery model.

With a balance sheet strengthened by the October 2025 capital raise, Vection is in a solid position to advance its expanding pipelines across Healthcare, Retail and Defence through its AI+XR ecosystem, integrate recent acquisitions, and improve earnings quality and predictability".

■ VSECTION TECHNOLOGIES LTD

ASX:VR1; OTC:VCTNY | ACN: 614 814 041

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PERTH | SYDNEY | SAN ANTONIO | MILAN | BOLOGNA | SIENA | BARI | ABU DHABI |

■ WEBSITE
www.vection-technologies.com
■ REGISTERED OFFICE

 Level 4, Building C, Garden Office Park, 355
 Scarborough Beach Road,
 Osborne Park WA 6017 - Australia

FINANCIAL OVERVIEW

Customer cash receipts for the quarter were \$17.5m, compared to \$5.0m in Q1 FY26 (up ~250%), and \$6.6m in the corresponding quarter last year (up ~166%). This outcome includes the receipt of previously disclosed Defence payments and reflects improving working capital conversion as the Company enters a seasonally stronger period.

The Total Contracted Value (TCV) across all programs is \$29.6m, **Total Pipeline** in negotiation (3-year forward rolling) is circa \$59.5m; strong growth compared to the previous quarter.

Net cash from operating activities was a +\$1.8 m, compared to (\$1.7m) in Q1 FY26, and \$0.05m in Q2 FY25. The improvement was driven primarily by higher receipts and disciplined cost control while continuing to invest in product development and delivery capability.

Cash and cash equivalents at 31 December 2025 were \$14m, compared to \$2.3m at 30 September 2025, reflecting positive operating cash flow, and receipt of proceeds from the \$21m placement completed in early October.

The cash outflows related to production and operating costs of the product are aligned with the increase in cash inflows.

The increase in **staff costs**, is mainly related to the commencement of new investments following the October capital raising, specifically aimed at expanding the sales force, as well as the payment of December bonuses to employees.

In addition to the staff of employees and collaborators, and the **opex, in line with company standards, during the period the Company paid:**

\$0.85 m in taxes,
 \$1.95 m in capital raising commissions,
 reduced debts by \$4.8 million,

invested in M&A (particularly for the acquisition of DX LAB-Sydney and Monogic-Hong Kong), in the new brand and related marketing tools. The increase in **investments in intellectual property (IP)**: following the October capital raising, investments in technology were initiated, with an increase of approximately \$3m related to the enhancement of AI and XR platforms. These investments are aimed at ensuring their integration and scalability within a single technological ecosystem capable of supporting the entire customer value chain, rather than only part of it. This ecosystem will form the foundation for strong future growth and enable the Company to secure significant agreements with industrial partners, particularly in the healthcare, defence, and retail sectors

OPERATIONAL OVERVIEW

1- Sales development

Investments in the sales force and platforms (AI+XR+Hw ecosystem) will ensure sales development and growth in the coming years, particularly in the **Health Care, Retail (furniture, fashion, design, mass distribution, etc.) sectors, as well as in Defence**.

The addition of **new sales managers** is generating a fresh impetus for the development of the sales network in Europe.

The acquisitions of Monogic in Hong Kong and Singapore, and DX LAB in Sydney will give new momentum to international sales. The M&A activities are proceeding in perfect alignment with the plan defined with DX LAB for Sydney and Monogic for Hong Kong and Singapore, with final completion expected in a short time.

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In the United States, important presentations to key clients are being completed through our local partners Total Play and others.

Particularly important is the development of relationships with Xerox, Accenture, and Dell Technologies. For these partners, the study and development of platforms continues in order to further expand these business relationships in Europe and the USA. The relationship with these partners is increasingly close, with strong appreciation for the efforts and investments that Vection has been making for months.

For example, on January 21, **DELL TECHNOLOGIES and INTEL awarded Vection for inclusive AI (AI + Kiosk)** for people with severe hearing impairments, enabling them to access public and private services, with a strong ethical and social impact as well as business impact. Recent investments will allow Vection to conclude important industrial alliances with other significant industrial partners to grow sales and market share.

Investments in the **development of a NEW BRAND image**, as well as **new commercial tools**, will ensure Vection's proper positioning for international growth.

2- Defence sector

During the quarter, Vection received its **first \$7.8m order under the previously announced \$22.3m master framework agreement with a NATO-approved defence partner**.

This order extends total recognised revenue delivered to this customer to \$12.3m since program commencement in 2023 and supports the estimated FY26 revenue of \$7.7m from this single customer.

The framework provides multi-year visibility through to FY30 and underpins Vection's growing role within the European defence ecosystem.

3- Artificial intelligence

Vection secured \$1.5m in new AI purchase orders during the quarter across **multiple industry verticals, including agritech, cybersecurity, healthcare, real estate and public administration**.

Approximately 45% of the order value relates to renewals and upselling, reinforcing the increasing contribution of recurring and repeat revenue.

Thanks to investments in integrated AI+XR platforms and their scalability, new and significant market opportunities are opening up, with the acquisition of new sales partners, particularly in the Healthcare, Defence, and Retail markets.

OUTLOOK

Vection enters the second half of FY26 with:

- a materially improved cash position,
- positive operating cash flow momentum,
- excellent position in terms of TCV and pipeline under negotiation a structured,
- strong financial position,
- multi-year Defence framework now moving into execution, and a growing pipeline across Defence, AI, Healthcare and Retail markets,
- strengthened management and sales team,
- new territorial presence in Australia and Asia, a clear plan for development and territorial presence in Europe - Asia - Australia - USA,
- significantly strengthened product and AI+XR+Hw ecosystem development plan under development thanks to targeted investments,
- partnerships with major distributors strengthened and in development
- new marketing and communication positioning

The Company remains focused on converting contracted work into delivered revenue, increasing the proportion of recurring income, and maintaining disciplined execution as it scales.

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The aggregate payments to related parties and their associates included in the current quarter cash flows from operating activities totalled ~\$0.88m. These payments consisted of Directors' fees and salaries paid to directors. During the quarter, the Company settled outstanding fees which were accrued over an extended period as part of the Company's efforts to manage its operational cashflows.

AUTHORISATION:

This ASX release is authorised by the Board of Directors of Vection Technologies Limited.

ENDS

INVESTOR RELATIONS CONTACT DETAILS:

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Lorenzo Biagi - Director (Europe Based)
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Gianmarco Biagi - Managing Director (Europe Based)
 Email: gianmarco.biagi@vection-technologies.com

ABOUT VECTION TECHNOLOGIES:

Vection Technologies is a global technology company specializing in Extended Reality (XR) and Artificial Intelligence. We design integrated digital ecosystems that combine XR, AI, and 3D data to transform how enterprises train people, design products, support operations, and engage customers. Through immersive experiences, digital humans, and intelligent platforms, we enable organizations to optimize processes, enhance collaboration, accelerate decision-making, and create measurable business value across the entire enterprise lifecycle.

Vection Technologies is listed on the Australian Securities Exchange (ASX) with ticker code VR1, and trades on the U.S. over-the-counter (OTC) markets under the symbol VCTNY and is also listed on Germany's Frankfurt Stock Exchange under the ticker S1X.

For more information, please visit: www.vection-technologies.com

FORWARD-LOOKING STATEMENTS:

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Vection Technologies' current expectations, estimates and projections about the industry in which Vection Technologies operates, and beliefs and assumptions. Forward-looking statements can generally be identified by the use of forward-looking words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'will', 'could', 'may', 'target', 'plan' and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, guidance, or outlook on future earnings, distributions, financial position, or performance are also forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the control of Vection Technologies, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Vection Technologies only as of the date of this release. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Vection Technologies has no obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

VECTION TECHNOLOGIES LIMITED

ABN

93 614 814 041

Quarter ended (“current quarter”)

31 December 2025

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	17,542	22,519
1.2 Payments for		
(a) research and development	(1,425)	(2,708)
(b) product manufacturing and operating costs	(10,144)	(12,696)
(c) advertising and marketing	(292)	(480)
(d) leased assets	(102)	(272)
(e) staff costs	(2,113)	(3,078)
(f) administration and corporate costs	(723)	(1,406)
1.3 Dividends received (see note 3)		
1.4 Interest received	22	23
1.5 Interest and other costs of finance paid	(133)	(390)
1.6 Income taxes paid	(844)	(1,469)
1.7 Government grants and tax incentives	25	25
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,813	68
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(523)	(836)
(b) businesses	-	-
(c) property, plant and equipment	-	(337)
(d) investments	-	-
(e) intellectual property	(3,885)	(4,524)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Cash and cash equivalents acquired from acquisition	-	-
2.6	Net cash from / (used in) investing activities	(4,408)	(5,697)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	20,700	21,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	324	666
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,945)	(1,945)
3.5	Proceeds from borrowings	919	6,431
3.6	Repayment of borrowings	(5,777)	(9,578)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	14,221	16,574
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,313	3,104
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,813	68
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,408)	(5,697)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	14,221	16,574
4.5	Effect of movement in exchange rates on cash held	13	(97)
4.6	Cash and cash equivalents at end of period	13,952	13,952

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	13,952	2,313
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details if material)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	13,952	2,313

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	880
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities <small>Note: the term 'facility' includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</small>		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000																									
7.1	Loan facilities	18,532	17,647																									
7.2	Credit standby arrangements	-	-																									
7.3	Other (please specify)	-	-																									
7.4	Total financing facilities	18,532	17,657																									
7.5	Unused financing facilities available at quarter end		885																									
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																											
<p>*Of the Total financing facilities, \$12.9M of the amount drawn relates to Long-term financing facilities i.e. this debt is not repayable for an extended period, up to 10 years.</p> <p>The Company's financing facilities are summarised below:</p> <table border="1"> <thead> <tr> <th>Facilities</th> <th>Lenders</th> <th>Security</th> <th>Avg Interest Rate</th> <th>Maturity</th> </tr> </thead> <tbody> <tr> <td>Loans</td> <td>Banca BCC Felsinea, Banca Chianti Credito Cooperativo, Banca Ifis, Banco BPM, Banco di Sardegna, Borsa del Credito, BPER, BPPB, Credimi- Lumen spv srl, Credimi-Perseveranza, Fondo Crescita, MCC Fabbrica intelligente, Mediocredito Centrale Invitalia, MPS, Opym, SGRAFFETTO, Simest, SMART&START, Unicredit</td> <td>Secured</td> <td>3.9%</td> <td>2026 - 2035</td> </tr> <tr> <td>Leasing</td> <td>Dell Financial</td> <td>Unsecured</td> <td>5.3%</td> <td>2027</td> </tr> <tr> <td>Invoice finance</td> <td>MPS, Intesa San Paolo, Unicredit, Banca di Bologna, Banca BCC Felsinea, Banca Chianti Credito Cooperativo</td> <td>Unsecured</td> <td>6.5%</td> <td>Short-term</td> </tr> <tr> <td>Bonds</td> <td>Obbligazioni</td> <td>Unsecured</td> <td>7.0%</td> <td>2035</td> </tr> </tbody> </table>				Facilities	Lenders	Security	Avg Interest Rate	Maturity	Loans	Banca BCC Felsinea, Banca Chianti Credito Cooperativo, Banca Ifis, Banco BPM, Banco di Sardegna, Borsa del Credito, BPER, BPPB, Credimi- Lumen spv srl, Credimi-Perseveranza, Fondo Crescita, MCC Fabbrica intelligente, Mediocredito Centrale Invitalia, MPS, Opym, SGRAFFETTO, Simest, SMART&START, Unicredit	Secured	3.9%	2026 - 2035	Leasing	Dell Financial	Unsecured	5.3%	2027	Invoice finance	MPS, Intesa San Paolo, Unicredit, Banca di Bologna, Banca BCC Felsinea, Banca Chianti Credito Cooperativo	Unsecured	6.5%	Short-term	Bonds	Obbligazioni	Unsecured	7.0%	2035
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Bonds	Obbligazioni	Unsecured	7.0%	2035																								
8. Estimated cash available for future operating activities			\$A'000																									
8.1	Net cash from / (used in) operating activities (item 1.9)		1,813																									
8.2	Cash and cash equivalents at quarter end (item 4.6)		13,952																									
8.3	Unused finance facilities available at quarter end (item 7.5)		885																									
8.4	Total available funding (item 8.2 + item 8.3)		14,837																									
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)			N/A																									
<p><small>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</small></p> <p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <p>N/A</p>																												

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2026

Authorised by: By the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.