ROBOT WARRANTY RESERVE ANALYSIS

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Polar Dynamics Robotics, Inc.

Prepared as of December 31, 2023

For Internal Use and Due Diligence Review

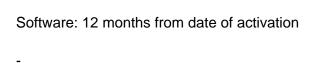
1. EXECUTIVE SUMMARY

This Warranty Reserve Analysis (the "Analysis") documents the meth assumptions, and calculations used to determine appropriate warrant for Polar Dynamics Robotics, Inc.'s ("Company") autonomous mobile

lines, specifically focusing on the BlueCore(TM) platform and associ	ia
cold-environment robotics systems.	

2. WARRANTY TERMS AND COVERAGE

1 The Company provides the following standard warranty coverage:
-
Hardware: 24 months from date of installation



Battery Systems: 18 months or 3,000 operating hours, whichever occ

Cold-Environment Components: 36 months limited warranty on propri

2 Extended warranty options available:
-
Premium Care Package: Additional 24 months
-
Enterprise Support: Additional 36 months with 24/7 technical support
-
Mission-Critical Coverage: Up to 60 months total coverage
3. HISTORICAL WARRANTY CLAIM ANALYSIS

1 Claim Frequency (2021-2023):

Standard Warranty Claims: 4.2% of units shipped

Extended Warranty Claims: 2.8% of covered units

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Average Time to Claim: 8.3 months post-installation

2 Primary Claim Categories:

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Navigation System Calibration: 31%

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Thermal Management Components: 27%

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Battery Performance Issues: 22%

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Mechanical Wear: 12%

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Software/Firmware: 8%

4. RESERVE CALCULATION METHODOLOGY

1 The Company employs a three-component model for warranty rese

Reserve = Base Unit Cost Expected Claim Rate (Labor + Parts Fac
Where:
-
Base Unit Cost = Average manufacturing cost per unit
-
Expected Claim Rate = Historical claim frequency adjusted for produc
-
Labor + Parts Factor = 1.8 for standard warranty, 2.2 for extended w
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2 Additignal Reserve Factors:
-
Product Mix Adjustment: +15% for new product introductions
-
Geographic Service Coverage: +10% for remote locations
-
Environmental Operation Factor: +20% for extreme temperature envir

5. CURRENT RESERVE POSITIONS

1 Standard Warranty Reserves:

Q4 2023 Balance: \$4,825,000

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Projected 2024 Additions: \$2,750,000

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Estimated Usage: (\$1,925,000)

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Projected Year-End 2024: \$5,650,000

2 Extended Warranty Reserves:

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Q4 2023 Balance: \$2,175,000

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Projected 2024 Additions: \$1,250,000

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Estimated Usage: (\$875,000)

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Projected Year-End 2024: \$2,550,000

6. RISK FACTORS AND ADJUSTMENTS

1 The following risk factors have been incorporated into reserve calculations
-
New product introduction risk (BlueCore(TM) 2.0 platform)
-
Supply chain component cost volatility
-
Labor cost escalation in service regions
-
Extended operation in sub-zero environments
2 Reserve Adequacy Testing:
-
Quarterly actuarial review

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Statistical confidence level: 95%

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Stress testing under various claim scenarios

7. ACCOUNTING TREATMENT

1 Recognition of Warranty Reserves:

-

Initial recognition at time of sale

-

Quarterly review and adjustment

-

Compliance with ASC 460 and ASC 450

2 Revergue Recognition Impact:

Separate performance obligation for extended warranties
Deferred revenue recognition per ASC 606

8. CERTIFICATION

The undersigned officers hereby certify that this Analysis has been praccordance with Company policies and generally accepted accounting

DATED: December 31, 2023

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Victoria_l Wells

Chief Financial Officer

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Sarah Nordstrom

Chief Operating Officer

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9. DISCLAIMER

This Analysis contains forward-looking statements and projections bath historical data and management assumptions. Actual warranty claims differ materially from these estimates. This document is confidential a proprietary to Polar Dynamics Robotics, Inc. and may not be reproduct distributed without express written consent.