

GROSS MARGIN ANALYSIS BY PRODUCT LINE

Polar Dynamics Robotics, Inc.

For the Period Ending December 31, 2023

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1. EXECUTIVE SUMMARY

This gross margin analysis presents detailed profitability metrics across Polar Dynamics Robotics, Inc.'s ("Company") primary product lines for the fiscal year ending December 31, 2023. All figures are unaudited and presented in accordance with GAAP.

2. PRODUCT LINE CATEGORIES

2.1 Core Product Lines

- PolarBot(TM) Series (AMR-100 through AMR-500)
- IceNav(TM) Navigation System Licenses
- ColdDrive(TM) Actuator Systems
- ThermalGuard(TM) Component Sets

2.2 Service Categories

- Maintenance & Support Contracts
- Professional Services
- Extended Warranties
- Software Subscriptions

3. GROSS MARGIN ANALYSIS

3.1 PolarBot(TM) Series

Product	Revenue	COGS	Gross Margin	GM%
AMR-100	\$8.2M	\$4.1M	\$4.1M	50.0%
AMR-300	\$9.4M	\$4.2M	\$5.2M	55.3%
AMR-500	\$5.8M	\$2.3M	\$3.5M	60.3%

3.2 Software & Licensing

Product	Revenue	COGS	Gross Margin	GM%
IceNav Basic	\$2.1M	\$0.3M	\$1.8M	85.7%
IceNav Pro	\$3.4M	\$0.4M	\$3.0M	88.2%
IceNav Enterprise	\$1.8M	\$0.2M	\$1.6M	88.9%

3.3 Components & Systems

Product	Revenue	COGS	Gross Margin	GM%
ColdDrive	\$1.2M	\$0.6M	\$0.6M	50.0%
ThermalGuard	\$0.6M	\$0.3M	\$0.3M	50.0%

4. COST STRUCTURE ANALYSIS

4.1 Direct Materials

- Proprietary actuator components: 28% of COGS
- Thermal management systems: 22% of COGS
- Electronics and sensors: 18% of COGS
- Structural components: 12% of COGS
- Other materials: 20% of COGS

4.2 Direct Labor

- Assembly operations: 45% of labor costs
- Quality control: 25% of labor costs
- Engineering support: 20% of labor costs
- Testing and validation: 10% of labor costs

5. MARGIN TRENDS AND ANALYSIS

5.1 Year-over-Year Comparison

Product Line	2023 GM%	2022 GM%	Change
PolarBot	55.2%	52.1%	+3.1%
Software	87.6%	85.3%	+2.3%
Components	50.0%	48.5%	+1.5%
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5.2 Contributing Factors

- Implementation of automated testing procedures
- Supply chain optimization initiatives
- Volume pricing agreements with key suppliers
- Manufacturing process improvements
- Software development efficiency gains

6. DISCLAIMERS AND LIMITATIONS

The information contained herein has been prepared by the Company's management and is subject to the following limitations:

- 1 All financial data is unaudited and subject to adjustment.
- 2 Gross margin calculations exclude certain allocated overhead costs.
- 3 Product costs reflect current supplier agreements and may not be indicative of future costs.
- 4 Software development costs are capitalized according to the Company's accounting policies.

7. CERTIFICATION

The undersigned hereby certifies that this gross margin analysis accurately reflects the Company's product line performance for the period indicated, to the best of their knowledge and belief.

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POLAR DYNAMICS ROBOTICS, INC.

By: _

Katherine Wells

Chief Financial Officer

Date: January 11, 2024

8. CONFIDENTIALITY NOTICE

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