

COST OF GOODS SOLD ANALYSIS - ROBOT UNITS

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Polar Dynamics Robotics, Inc.

Confidential & Proprietary

For Due Diligence Purposes Only

Fiscal Year 2023

1. OVERVIEW AND METHODOLOGY

¹ This Cost of Goods Sold ("COGS") Analysis has been prepared by t

2 The analysis covers the Company's primary product lines:

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Arctic Series AMR-500 Units

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Frost Series AMR-750 Units

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BlueCore(TM) Navigation Systems

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Reinforced Cold-Storage Chassis Components

2. DIRECT MATERIAL COSTS

1 Primary Components (per unit):

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Proprietary cold-resistant motherboards: \$2,850

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Temperature-hardened servo motors: \$1,975

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Reinforced chassis materials: \$3,200

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BlueCore(TM) navigation hardware: \$4,100

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Battery systems and power management: \$2,300

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Sensors and vision systems: \$1,875

2 Secondary Components (per unit):

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Fasteners and mounting hardware: \$425

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Wiring and electrical components: \$750

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Thermal insulation materials: \$890

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Safety systems: \$1,100

3. DIRECT LABOR COSTS

1 Assembly Labor:

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Skilled technician hours per unit: 24

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Average labor rate: \$45/hour

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Total direct assembly labor per unit: \$1,080

2 Quality Control Labor:

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Testing hours per unit: 8

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Certification hours per unit: 4

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Average QC labor rate: \$52/hour

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Total QC labor per unit: \$624

4. MANUFACTURING OVERHEAD

1 Fixed Overhead:

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Facility costs (allocated): \$1,250/unit

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Equipment depreciation: \$875/unit

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Supervision and engineering support: \$950/unit

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Quality management systems: \$425/unit

2 Variable Overhead:

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Utilities and energy: \$380/unit

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Consumable supplies: \$225/unit

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Material handling: \$190/unit

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Maintenance and calibration: \$295/unit

5. UNIT COST ANALYSIS

1 Arctic Series AMR-500:

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Total direct materials: \$19,465

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Total direct labor: \$1,704

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Total overhead allocation: \$4,590

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Total unit cost: \$25,759

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Target margin: 45%

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Suggested retail price: \$46,834

2 Frost Series AMR-750:

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Total direct materials: \$23,875

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Total direct labor: \$1,904

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Total overhead allocation: \$4,890

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Total unit cost: \$30,669

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Target margin: 48%

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Suggested retail price: \$58,979

6. COST OPTIMIZATION INITIATIVES

1 Current Programs:

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Supply chain consolidation expected to reduce material costs by 8% i

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Automation improvements projected to reduce assembly labor by 15%

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Implementation of lean manufacturing principles targeting 10% overha

2 Planned Initiatives:

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Strategic sourcing program for key components

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Manufacturing process optimization

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Inventory management enhancement

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Quality improvement program

7. DISCLAIMERS AND LIMITATIONS

¹ This analysis contains forward-looking projections and estimates that

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Market conditions and commodity prices

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Labor market fluctuations

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Technology advancement rates

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Regulatory changes

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Supply chain disruptions

2 All figures are based on current production volumes and may not reflect

8. CERTIFICATION

The undersigned hereby certifies that this Cost of Goods Sold Analysis was
prepared in accordance with standard accounting practices and represents
best estimates based on current data and reasonable assumptions.

DATED: January 11, 2024

By: _ - 11 -

Victoria Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

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