

OPERATING EXPENSES BREAKDOWN

Q2 2023 (April 1, 2023 - June 30, 2023)

Polar Dynamics Robotics, Inc.

CONFIDENTIAL AND PROPRIETARY

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Prepared By: Katherine Wells, Chief Financial Officer

Reviewed By: Deloitte & Touche LLP

1. EXECUTIVE SUMMARY

This document details the operating expenses incurred by Polar Dynamics Robotics, Inc. ("Company") during the second quarter of fiscal year 2023. All figures are presented in United States Dollars (USD) and have been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

2. QUARTERLY OPERATING EXPENSES BREAKDOWN

2.1 Research & Development

- Engineering Personnel: \$2,847,500
- Prototype Materials: \$685,300
- Testing Equipment: \$423,750
- Software Development: \$578,900
- R&D Facility Costs: \$312,400

Subtotal R&D: \$4,847,850

2.2 Manufacturing & Operations

- Production Labor: \$1,985,600
- Raw Materials: \$2,345,700
- Manufacturing Overhead: \$876,400
- Quality Control: \$298,500
- Facility Operations: \$645,300

Subtotal Manufacturing: \$6,151,500

2.3 Sales & Marketing

- Sales Personnel: \$985,400
- Marketing Programs: \$425,600
- Trade Shows: \$187,300
- Digital Marketing: \$156,800
- Sales Operations: \$234,500

Subtotal S&M: \$1,989,600

2.4 General & Administrative

- Executive Compensation: \$875,300
- Administrative Staff: \$456,700
- Professional Services: \$298,400
- Insurance: \$187,600
- Office Operations: \$145,300

Subtotal G&A: \$1,963,300

3. EXPENSE ANALYSIS & METRICS

3.1 Key Performance Indicators

- Operating Expense Ratio: 45.8%
- R&D as % of Revenue: 14.9%
- Gross Margin: 58.3%
- Operating Margin: 12.5%

3.2 Quarter-over-Quarter Comparison

- Total OpEx Q2 2023: \$14,952,250
- Total OpEx Q1 2023: \$13,876,400
- QoQ Change: +7.8%

4. NOTABLE ITEMS

4.1 Significant Variances

R&D expenses increased 12.3% QoQ due to accelerated development of IceNav 2.0

Manufacturing costs rose 8.4% due to supply chain adjustments and increased production volume

Marketing expenses decreased 5.2% following completion of Q1 product launch activities

4.2 Non-Recurring Expenses

One-time certification costs: \$145,000

Facility expansion planning: \$234,000

ERP system upgrade: \$178,000

5. FORWARD-LOOKING PROJECTIONS

5.1 Q3 2023 Expense Forecast

- Projected Total OpEx: \$15,750,000 (+5.3% QoQ)
- Anticipated Cost Optimization: \$450,000
- Strategic Initiatives Impact: +\$1,250,000

6. CERTIFICATIONS & DISCLAIMERS

The undersigned hereby certifies that this operating expense breakdown accurately reflects the financial position of Polar Dynamics Robotics, Inc. for Q2 2023, subject to the following:

All figures are unaudited and subject to adjustment

Forward-looking statements are based on current expectations and involve inherent risks

Certain expenses may be subject to allocation adjustments during year-end close

This document is confidential and intended solely for due diligence purposes

7. AUTHORIZATION

APPROVED AND CERTIFIED THIS 15th DAY OF JULY, 2023

—

Katherine Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

—

Elena Frost, Ph.D.

Chief Executive Officer

Polar Dynamics Robotics, Inc.

8. DOCUMENT CONTROL

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