

REVENUE RECOGNITION GUIDELINES

Polar Dynamics Robotics, Inc.

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1. PURPOSE AND SCOPE

1. These Revenue Recognition Guidelines (the "Guidelines") establish the policies and procedures for recognizing revenue from the sale of autonomous mobile robots ("AMRs"), related software licenses, maintenance services, and support contracts by Polar Dynamics Robotics, Inc. (the "Company").

2. These Guidelines align with ASC 606 - Revenue from Contracts with Customers and apply to all revenue-generating activities of the Company.

2. DEFINITIONS

1. "Hardware Revenue" means revenue derived from the sale of physical AMR units and associated components.

2. "Software Revenue" means revenue derived from the licensing of IceNav(TM) AI navigation platform and related software products.

3. "Service Revenue" means revenue derived from maintenance contracts, support services, and professional services.

4. "Performance Obligation" means a promise in a contract to transfer a distinct good or service to the customer.

3. REVENUE RECOGNITION PRINCIPLES

1. The Company shall recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

2. Revenue recognition shall follow the five-step model:

a) Identify the contract with a customer

- b) Identify performance obligations in the contract
- c) Determine the transaction price
- d) Allocate the transaction price to performance obligations
- e) Recognize revenue when performance obligations are satisfied

4. HARDWARE REVENUE RECOGNITION

- 1. Hardware revenue shall be recognized when:
 - a) Physical delivery of AMR units is complete
 - b) Customer acceptance testing is successfully concluded
 - c) Title and risk of loss have transferred to the customer
 - d) Collection is reasonably assured
- 2. For custom AMR configurations requiring significant modification:
 - a) Revenue recognition may be deferred until customer acceptance
 - b) Progress payments shall be recorded as contract liabilities
 - c) Recognition shall occur upon final acceptance and installation

5. SOFTWARE REVENUE RECOGNITION

- 1. IceNav(TM) Platform Licenses:
 - a) Perpetual licenses: Revenue recognized upon delivery of access credentials
 - b) Subscription licenses: Revenue recognized ratably over the subscription term
 - c) Usage-based licenses: Revenue recognized based on actual usage metrics
- 2. Software Updates and Maintenance:
 - a) Recognized ratably over the maintenance period
 - b) Bundled with hardware shall be allocated based on standalone selling prices

6. SERVICE REVENUE RECOGNITION

- 1. Maintenance Contracts:
 - a) Revenue recognized ratably over the service period
 - b) Upfront payments recorded as contract liabilities
 - c) Recognition begins upon commencement of service period

2. Professional Services:

- a) Revenue recognized as services are performed
- b) Time and materials contracts recognized based on billable hours
- c) Fixed-price contracts recognized using percentage of completion method

7. MULTIPLE ELEMENT ARRANGEMENTS

1. For contracts containing multiple performance obligations:

- a) Identify distinct performance obligations
- b) Allocate transaction price based on relative standalone selling prices
- c) Apply appropriate recognition criteria to each element

2. Bundled Offerings:

- a) Separate hardware, software, and service components
- b) Establish fair value hierarchy for allocation
- c) Document allocation methodology

8. CONTRACT MODIFICATIONS

1. Changes in contract scope or price shall be evaluated to determine:

- a) Whether modification creates new contract
- b) Impact on existing performance obligations
- c) Appropriate accounting treatment

9. DISCLOSURES AND DOCUMENTATION

1. Required documentation for each revenue arrangement:

- a) Executed contracts and purchase orders
- b) Customer acceptance certificates
- c) Allocation calculations for multiple element arrangements
- d) Revenue recognition timing support

10. COMPLIANCE AND REVIEW

1. The Finance Department shall:

- a) Review revenue recognition for compliance quarterly
- b) Document exceptions to standard recognition patterns
- c) Maintain supporting documentation for audit purposes

2. These Guidelines shall be reviewed annually and updated as necessary to reflect changes in accounting standards or business practices.

APPROVAL AND ADOPTION

These Revenue Recognition Guidelines have been approved and adopted by the Board of Directors of Polar Dynamics Robotics, Inc.

Approved by:

Katherine Wells

Chief Financial Officer

Date: January 1, 2024

Dr. Elena Frost

Chief Executive Officer

Date: January 1, 2024