

# **ANNUAL REVENUE RECOGNITION REPORT FY2023**

## **ANNUAL REVENUE RECOGNITION REPORT**

### **POLAR DYNAMICS ROBOTICS, INC.**

**For the Fiscal Year Ended December 31, 2023**

#### **1. EXECUTIVE SUMMARY**

This Annual Revenue Recognition Report ("Report") has been prepared by the Finance Department of Polar Dynamics Robotics, Inc. ("Company") in accordance with ASC 606 - Revenue from Contracts with Customers and reviewed by Wells, Chief Financial Officer, for the fiscal year ended December 31,

## **2. REVENUE RECOGNITION METHODOLOGY**

1. The Company recognizes revenue upon transfer of control of prom

2. Performance obligations are satisfied at the following points:

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Hardware (AMR Units): Upon delivery and customer acceptance

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Software Licenses: Upon activation of license keys

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Maintenance Services: Ratably over the service period

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Professional Services: As services are performed

## **3. REVENUE STREAMS ANALYSIS**

## 1. Hardware Revenue

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AMR Unit Sales: \$19,215,000

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Spare Parts & Components: \$2,835,000

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Total Hardware Revenue: \$22,050,000

## 2. Software Revenue

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BlueCore(TM) Platform Licenses: \$4,725,000

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Navigation System Subscriptions: \$1,890,000

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Total Software Revenue: \$6,615,000

### 3. Services Revenue

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Maintenance Contracts: \$1,575,000

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Professional Services: \$1,260,000

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Total Services Revenue: \$2,835,000

Total FY2023 Revenue: \$31,500,000

## **4. CONTRACT ASSETS AND LIABILITIES**

### 1. Contract Assets

-

Unbilled Receivables: \$1,575,000

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Contract Fulfillment Costs: \$945,000

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Total Contract Assets: \$2,520,000

## 2. Contract Liabilities

-

Deferred Revenue (Current): \$3,150,000

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Deferred Revenue (Non-current): \$1,575,000

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Total Contract Liabilities: \$4,725,000

## 5. REVENUE RECOGNITION POLICIES

## 1. Multi-Element Arrangements

The Company allocates transaction price to performance obligations based on their relative standalone selling prices. These prices are determined using the following methods:

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Observable prices for standalone sales

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Market assessment approach

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Expected cost plus margin approach

## 2. Variable Consideration

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Volume discounts are estimated using expected value method

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Returns are estimated using most likely amount method

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Constraints applied to ensure significant revenue reversal is unlikely

### 3. Contract Modifications

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Treated as separate contract when scope and price reflect standalone

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Otherwise, treated as termination of existing contract and creation of new

## 6. SIGNIFICANT JUDGMENTS AND ESTIMATES

### 1. Performance Obligations

-

Identification of distinct performance obligations in integrated solutions

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Assessment of whether software customization services are distinct

-

Determination of stand-alone selling prices

## 2. Timing of Revenue Recognition

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Assessment of transfer of control criteria

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Evaluation of customer acceptance terms

-

Measurement of progress for over-time recognition

# 7. DISAGGREGATION OF REVENUE

## 1. By Geographic Region



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North America: \$18,900,000 (60%)

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Europe: \$7,875,000 (25%)

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Asia-Pacific: \$4,725,000 (15%)

## 2. By Customer Industry

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Cold Chain Logistics: \$12,600,000 (40%)

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Frozen Food Manufacturing: \$9,450,000 (30%)

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Pharmaceutical Storage: \$6,300,000 (20%)

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Other: \$3,150,000 (10%)

## **8. COMPLIANCE STATEMENT**

The revenue recognition practices detailed in this Report comply with:

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ASC 606 - Revenue from Contracts with Customers

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Sarbanes-Oxley Act of 2002

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Company's internal control framework

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SEC reporting requirements

## **9. CERTIFICATION**

I, Victoria Wells, in my capacity as Chief Financial Officer of Polar Dynamics Robotics, Inc., hereby certify that this Revenue Recognition Report prepared fairly, in all material respects, the Company's revenue recognition policies and practices for FY2023.

/s/ Victoria Wells

Victoria Wells

Chief Financial Officer

Date: January 31, 2024

## **10. DISCLAIMER**

This Report is confidential and proprietary to Polar Dynamics Robotics. The information contained herein has been prepared solely for internal use and is not intended for potential M&A due diligence purposes. No representations or warranties are made.

as to the accuracy or completeness of the information presented. This should be reviewed in conjunction with the Company's audited financial statements and other relevant documentation.

