

INTERCOMPANY TRANSFER PRICING POLICY

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Polar Dynamics Robotics, Inc.

Effective Date: January 1, 2024

Policy Number: FIN-TP-2024-01

1. PURPOSE AND SCOPE

1. This Intercompany Transfer Pricing Policy (the "Policy") establishes
2. This Policy applies to all intercompany transactions involving:

- a) Sales of autonomous mobile robots and related hardware
- b) Licensing of BlueCore(TM) technology and proprietary software
- c) Research and development services
- d) Management and administrative services
- e) Intellectual property rights transfers
- f) Component and spare parts transfers

2. TRANSFER PRICING METHODOLOGY

1. **Arm's Length Principle**

All intercompany transactions shall be priced in accordance with the arm's length principle, ensuring that Related Parties conduct transactions at prices and terms that would prevail between unrelated parties under similar circumstances.

2. **Primary Methods**

The following transfer pricing methods shall be applied in order of preference

a) Comparable Uncontrolled Price (CUP) Method

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For standardized AMR units and components

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Where direct market comparables exist

b) Cost Plus Method

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For manufacturing and assembly services

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Standard markup: 15-25% based on complexity

c) Transactional Net Margin Method (TNMM)

- - 3 -

For routine distribution and service functions

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Target operating margin: 3-8%

d) Profit Split Method

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For unique technology licensing

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BlueCore(TM) technology: 30-70 split based on value contribution

3. SPECIFIC PRICING GUIDELINES

1. ****Hardware Products****

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Standard AMR units: Cost plus 20%

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Custom configurations: Cost plus 25%

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Spare parts: Cost plus 15%

2. ****Technology Licensing****

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BlueCore(TM) platform: 5% of net sales

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Navigation systems: 3% of net sales

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Patents: Risk-adjusted royalty rate of 2-4%

3. ****Services****

- - 5 -

R&D services: Cost plus 18%

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Technical support: Cost plus 15%

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Administrative services: Cost plus 10%

4. DOCUMENTATION REQUIREMENTS

1. **Mandatory Documentation**

Each Related Party shall maintain:

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Contemporaneous transfer pricing documentation

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Functional and risk analysis

- - 6 -

Comparability analysis

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Financial data supporting applied methods

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Intercompany agreements

2. ****Annual Review****

The CFO shall conduct annual reviews of:

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Pricing methodologies

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Profit level indicators

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Market comparables

- - 7 -

Risk allocations

5. GOVERNANCE AND COMPLIANCE

1. **Oversight**

The Transfer Pricing Committee shall:

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Meet quarterly to review compliance

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Approve material pricing adjustments

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Review annual documentation

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Address audit inquiries

2. ****Compliance Procedures****

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Annual certification required from each entity

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Quarterly reporting of material transactions

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Independent review every three years

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Regular updates to benchmark studies

6. DISPUTE RESOLUTION

1. Any disputes regarding transfer pricing shall be resolved through:

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Internal review by Transfer Pricing Committee

- - 9 -

Consultation with external advisors

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Binding determination by CFO

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Advance Pricing Agreements where appropriate

7. POLICY UPDATES

1. This Policy shall be reviewed annually and updated as needed to reflect

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Changes in tax regulations

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Business model evolution

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Market conditions

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Best practices

8. APPROVAL AND EXECUTION

This Policy is approved and adopted by:

Victoria Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

Date: __

- 11 -

Dr. Elena Frost

Chief Executive Officer

Polar Dynamics Robotics, Inc.

Date: __

9. DISCLAIMER

This Policy is confidential and proprietary to Polar Dynamics Robotics. Nothing herein shall constitute tax or legal advice. The company reserves the right to modify this Policy at any time subject to appropriate corporate approvals.

