

# REVENUE RECOGNITION POLICY

**Polar Dynamics Robotics, Inc.**

*Effective Date: January 1, 2024*

*Policy Number: FIN-2024-001*

## 1. PURPOSE AND SCOPE

1. This Revenue Recognition Policy ("Policy") establishes the guidelines and procedures for recognizing revenue at Polar Dynamics Robotics, Inc. ("Company") in accordance with ASC 606 - Revenue from Contracts with Customers and other applicable accounting standards.

2. This Policy applies to all revenue streams of the Company, including:

- Sales of autonomous mobile robots (AMRs)
- Software licensing (IceNav platform)
- Maintenance and support services
- Extended warranties
- Professional services and implementation
- Spare parts and components

## 2. REVENUE RECOGNITION PRINCIPLES

1. The Company recognizes revenue based on the five-step model prescribed by ASC 606:

- 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

2. Revenue is recognized when control of promised goods or services transfers to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services.

## 3. SPECIFIC REVENUE STREAMS

### 3.1. Hardware Sales (AMR Units)

1.1. Revenue from AMR unit sales is recognized when:

- Physical possession transfers to the customer
- Customer acceptance criteria are met
- All critical testing is completed
- Title and risk of loss have transferred

1.2. For custom configurations requiring significant modification, revenue recognition may be deferred until customer acceptance is received.

### **3.2. Software Licensing**

2.1. IceNav Platform licensing revenue is recognized:

- Upon activation for perpetual licenses
- Ratably over the subscription term for term-based licenses
- Based on actual usage for consumption-based licenses

2.2. Software updates and maintenance are recognized ratably over the service period.

### **3.3. Services Revenue**

3.1. Implementation and professional services revenue is recognized:

- Over time as services are performed
- Based on percentage of completion for fixed-price projects
- Upon completion for milestone-based deliverables

3.2. Training services are recognized when delivered.

## **4. MULTIPLE ELEMENT ARRANGEMENTS**

1. For contracts containing multiple performance obligations, the Company:

- Determines standalone selling prices for each element
- Allocates transaction price based on relative standalone selling prices
- Recognizes revenue for each element when the respective recognition criteria are met

2. Bundled offerings are evaluated to determine whether components represent separate performance obligations.

## **5. CONTRACT MODIFICATIONS**

1. Contract modifications are evaluated to determine whether they represent:
  - Separate contracts
  - Termination of existing contract and creation of new contract
  - Part of existing contract
2. Revenue recognition treatment follows the appropriate classification per ASC 606.

## **6. VARIABLE CONSIDERATION**

1. The Company estimates variable consideration using either:
  - Expected value method
  - Most likely amount method
2. Variable consideration is included in transaction price only to extent that significant revenue reversal is not probable.

## **7. WARRANTIES AND RETURNS**

1. Standard warranty provisions are accounted for as assurance-type warranties.
2. Extended warranties are treated as separate performance obligations with revenue recognized ratably over the coverage period.
3. Return provisions are estimated based on historical experience and market conditions.

## **8. COSTS**

1. Contract acquisition costs are capitalized when:
  - Costs are incremental
  - Recovery is expected
2. Capitalized costs are amortized over expected customer relationship period.

## **9. DISCLOSURES AND DOCUMENTATION**

1. Revenue arrangements must be documented with:

- Signed contracts
- Purchase orders
- Statement of work
- Customer acceptance certificates
- Delivery documentation

2. Supporting analysis for significant judgments must be maintained.

## **10. POLICY ADMINISTRATION**

1. The Chief Financial Officer is responsible for:

- Maintaining this Policy
- Ensuring compliance
- Approving exceptions
- Periodic review and updates

2. Questions regarding this Policy should be directed to the Finance Department.

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*Approved by:*

Katherine Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

Date: December 15, 2023