



ESPRRESSIF
乐鑫科技

SHARE :: CONNECT :: INNOVATE



Q1

2024
REPORT

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About Espressif

Espressif Systems is a public, multinational, fabless, semiconductor company focused on developing cutting-edge, wireless-communication, low-power chipsets. By leveraging wireless computing, we provide green, versatile and cost-effective AIoT solutions. We have accomplished a hardware-and-software, closed-loop development cycle for a series of core technologies, including RF, Wi-Fi & Bluetooth LE network protocol stacks, RISC-V MCUs, AI instruction sets and algorithms, operating systems, toolchains, compilers, IoT software application frameworks, Cloud, etc.

We have a diverse team of engineers from around the world. All company branches employ about 630 members of staff from almost 30 countries and regions, +78% of whom are based in our Research & Development Department. We have eight R&D centers in five countries, including China (4 out of 8), India, the Czech Republic, Brazil and Singapore. The company's increasing reputation in recent years has been instrumental in attracting talented engineers from across the world. Being united by our passion for technology, our diversity is our strength, as it allows the creative blending of different kinds of knowledge, perspectives and ways of thinking.



global Wi-Fi MCU
market leader



over 1 billion global
IoT chip shipments



millions of
developers



Our R&D Centers

China

- Shanghai
- Suzhou
- Hefei
- Wuxi

Brazil

- Campinas

India

- Pune

Czech Republic

- Brno

Singapore

Business Highlights (Unaudited)

Key Financial Data (Unaudited)

CNY	Three Months Ended		Fiscal Year
	March 31, 2024	March 31, 2023	2023
Consolidated Statement of Income Data			
Revenue	387,191,412	318,117,442	1,433,064,911
Gross profit	162,367,542	129,518,046	581,248,531
Selling expenses	12,852,562	12,172,902	52,583,650
General and administrative expenses	14,871,808	13,915,033	61,618,348
Research and development expenses	103,846,179	85,483,014	403,713,557
Net income	53,915,482	31,087,430	136,204,637
Earnings per share:			
Basic	0.6849	0.3884	1.7012
Diluted	0.6849	0.3884	1.6929
	March 31, 2024	December 31, 2023	
Consolidated Balance Sheet Data			
Cash, cash equivalents and financial investments	1,283,096,284	1,397,511,953	
Working capital	981,931,095	999,068,356	
Total assets	2,147,991,446	2,203,800,366	
Long-term obligations	85,445,197	74,166,946	
Total shareholders' equity	1,882,489,321	1,913,000,228	
	March 31, 2024	March 31, 2023	2023
Consolidated Cash Flow Data			
Net cash provided by operating activities	-12,008,662	33,293,443	302,597,343
Non-GAAP Adjustment			
Stock-based compensation	6,401,427	2,624,367	18,737,416
Non-GAAP net income	60,316,910	33,711,797	154,942,053

Key Financial Indicators (Unaudited)

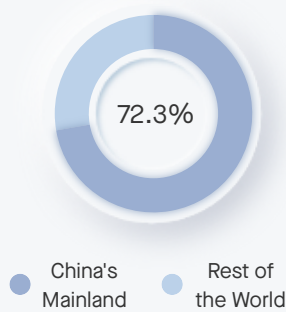
	Three Months Ended		Fiscal Year
	March 31, 2024	March 31, 2023	2023
Gross margin	41.93%	40.71%	40.56%
R&D-to-sales ratio	26.82%	26.87%	28.17%
EBITDA margin	16.00%	10.82%	10.01%
Weighted ROE	2.85%	1.69%	7.14%

Financial Analysis

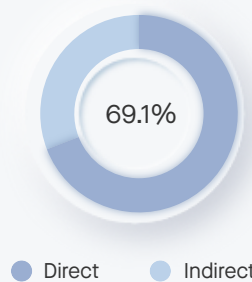
Espressif's total revenue in the first quarter of the current fiscal year (2024) was CNY 387.19 million, marking an increase of 21.71% from CNY 318.12 million in the first quarter of 2023, due to the expansion of product categories. Therefore, the net income was CNY 53.92 million, which marked an increase of 73.43% year-on-year, mainly due to the increase of revenue.

The overall gross margin was 41.93% and remained stable. Customers in China's mainland prefer purchasing chips, while customers from the rest of the world and their OEM or ODM in China's mainland prefer modules. We keep the chip gross margin at a reasonable level, in order to support our future R&D expenditure.

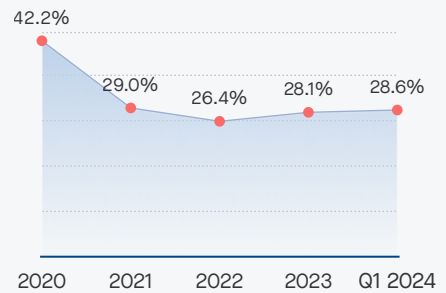
Revenue by Area in Q1 2024



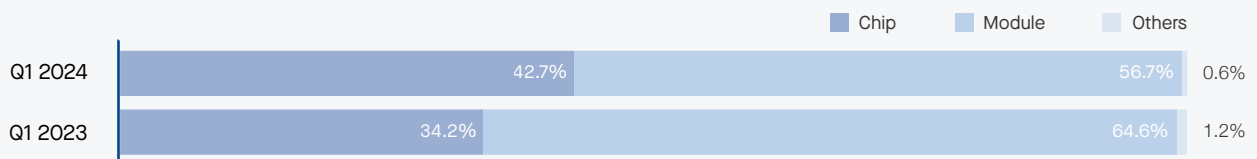
Revenue by Sales Mode in Q1 2024



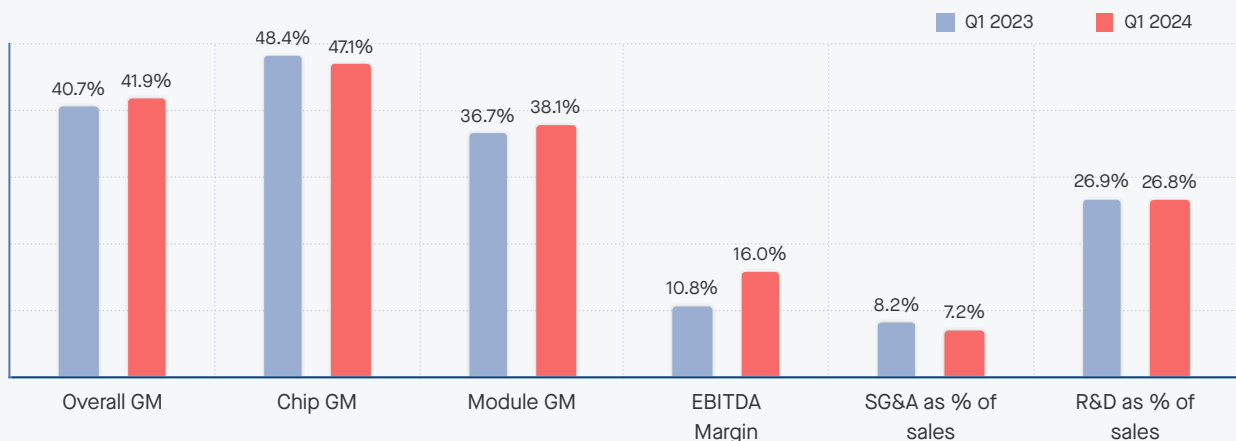
Top-5 Customer Concentration Rate, 2020 - Q1 2024



Revenue by Product Category in Q1 2024



Key Financial Indicators in Q1 2024

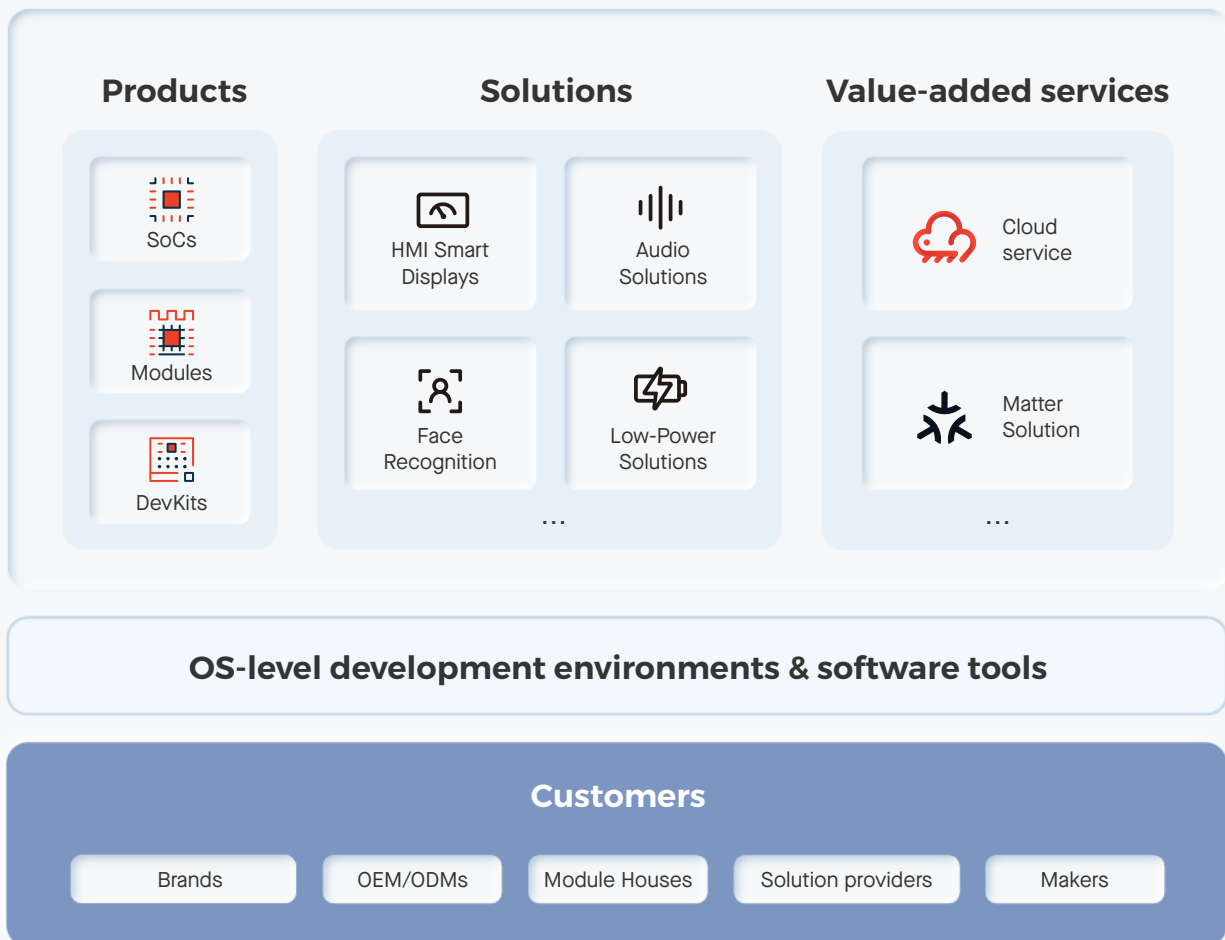


Management Report

Business Strategy

Espressif Systems' business strategy emanates from our service/product areas and our engagement with the developer ecosystem.

Our product and service areas include AIoT chips, OS-level development environments, software tools, application solutions, and value-added services, such as Cloud and Matter. The above-mentioned products ensure that we are in the heart of numerous commercial AIoT applications in different markets, including smart home, consumer electronics, industrial automation, healthcare, etc.



Core Technologies

SoCs

ESP8266, ESP32, ESP32-S, ESP32-C, ESP32-H and ESP32-P Series

Espressif offers integrated, reliable, and energy-efficient SoCs for Wi-Fi, Bluetooth Low Energy, Thread and Zigbee to various segments of the IoT market.

AI

AFE (Audio Front-End) Algorithms

qualified as a “Software Audio Front-End Solution” for Amazon Alexa Built-in devices.

3A Audio Algorithms

including Acoustic Echo Cancelation (AEC), Audio Noise Suppression (ANS) and Automatic Gain Control (AGC), which significantly reduce noise and echo in calls, keeping high-quality voice intercoms stable at all times.

OS

ESP-IDF

Espressif’s official IoT Development Framework.

It provides a self-sufficient SDK for any generic application-development on these platforms, using programming languages such as C and C++.

ESP-IDF currently powers millions of devices in the field, and enables building a variety of network-connected products, ranging from simple light bulbs and toys to major appliances and industrial devices.

Cloud

ESP RainMaker

A comprehensive, development-free and maintenance-free AIoT solution for private Cloud deployment.

It is an all-inclusive solution that covers everything from the underlying chip to device firmware, third-party voice-assistant integrations, mobile apps and the dashboard.

Customers can build their own AIoT devices and ecosystem, with ESP RainMaker.

Software

With our open-source software, such as Espressif’s IoT Development Framework ESP-IDF, Audio Development Framework ESP-ADF, Mesh Development Framework ESP-MDF, Cloud Connectivity Platform ESP RainMaker, Facial Recognition Development Framework ESP-WHO, and Voice-Controlled Assistant ESP-Skainet, we have developed a framework for building AIoT applications, which is both complete and innovative.



Matter

One-stop Matter Solution

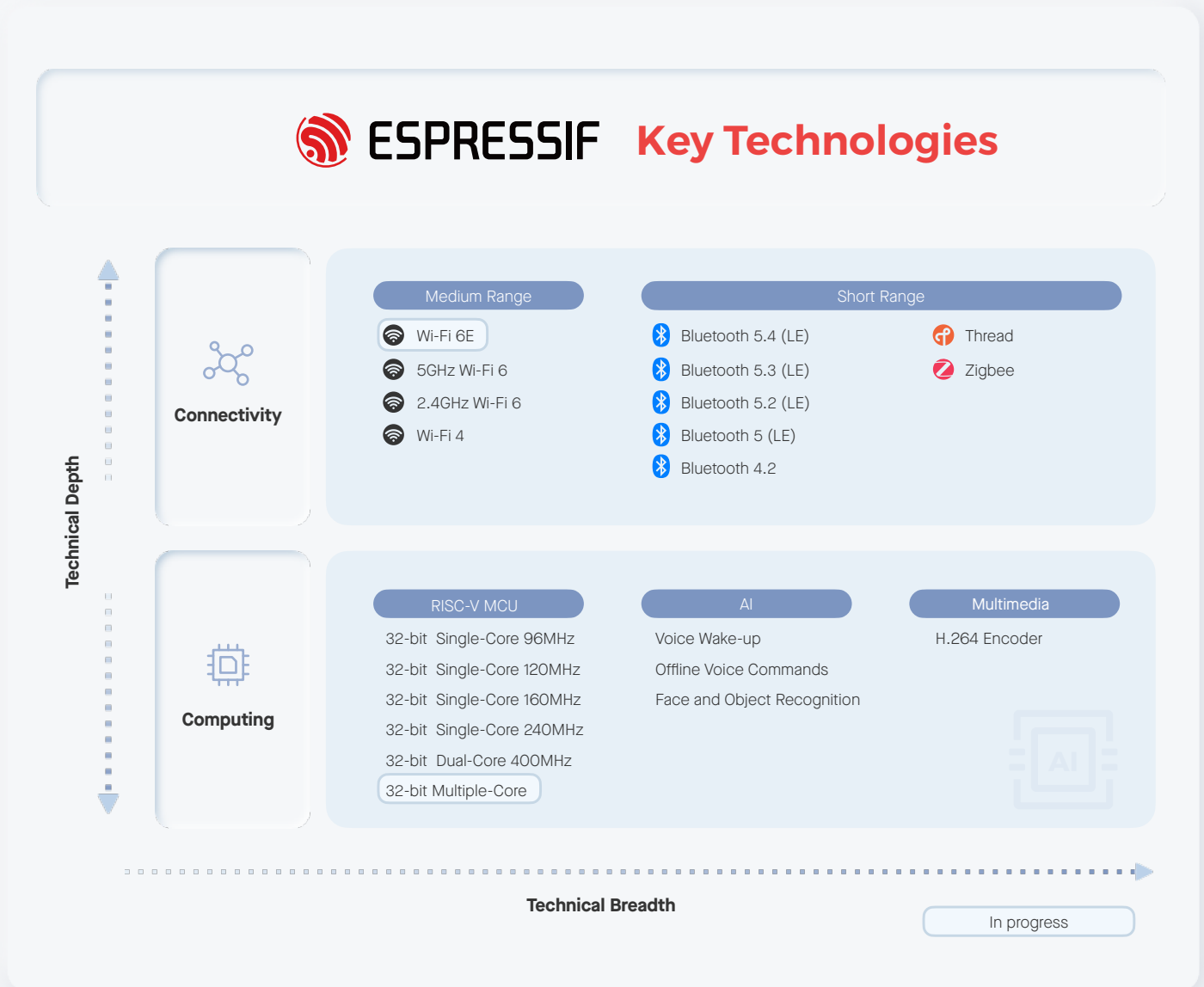
This is the culmination of Espressif’s ongoing contribution to the Matter platform in various areas, including protocol formulation, core stack implementation and certification test events.

Key Products - AIoT Chips

Espressif is recognized as a market leader in the field of Wi-Fi MCUs. We released our first Wi-Fi MCU in 2014, and our first Wi-Fi/Bluetooth LE combo chip in 2016. In 2020, we successfully developed our own RISC-V MCU core, adding it to our product portfolio, while in 2021, we released our first Thread/Zigbee/Bluetooth LE 5 combo chip and a 2.4GHz Wi-Fi 6 chip. In 2022, we released our first 2.4 & 5GHz Wi-Fi 6 chip. In 2023, we revealed ESP32-P4, a dual-core RISC-V MCU, expanding the current portfolio to address the high-performance computation needs of IO-Rich, HMI, and AIoT applications. In 2024, we announced ESP32-H4, a low-power SoC with 802.15.4 & Bluetooth 5.4 (LE), which caters to increasing demands for low-power wireless devices, boasting significant upgrades in power consumption, connectivity features, and memory expansion capabilities.

In fact, we have been constantly diversifying our product portfolio, introducing new solutions through our numerous investments. Thus, we now have various product lines in the main short- and medium-range connectivity technologies and our product range has expanded to AIoT SoCs. Our core technologies are self-developed, including connectivity IPs, RF components, RISC-V IPs, software frameworks, tools, AI functions etc.

We also provide IoT modules based on our chips. The benefit for customers is that they can get direct support from us, shortening and optimizing their supply chain, even in case of chip shortages.






Key Products - Product Map



Market

The market for wireless SoCs is truly diverse, including applications for smart homes (e.g., smart lights, air conditioners, ovens, coffee machines, etc.), consumer electronics (e.g., smart speakers, drones, etc.), industrial automation (e.g., mechanical arms), smart agriculture (e.g., soil PH detector, CO2 detector, etc.), healthcare (e.g., monitoring devices for diabetes, blood pressure, etc.), energy control (solar energy devices, EV chargers, etc.), the internet of vehicles (OBD devices, dashboards, etc.), and education (talking pens, interactive whiteboards, etc.).

We seem to be witnessing an economic recovery, with both new and existing customers showing growth in business. At the same time, we have also seen the emergence of applications in new areas, such as beauty devices. After experiencing the low point of 2023, clients in the new energy sector have also begun to show signs of recovery.

<p>Smart Home</p>  <p>Smart Ovens</p>	<p>Consumer Electronics</p>  <p>Smart Speakers</p>	<p>Industrial Automation</p>  <p>Mechanical Arms</p>	<p>Smart Agriculture</p>  <p>Soil PH Detector</p>
<p>Healthcare</p>  <p>Medical Detectors</p>	<p>Energy Management</p>  <p>Smart Solar Panels</p>	<p>Internet of Vehicles</p>  <p>Intelligent instrument panel</p>	<p>Education</p>  <p>Talking Pens</p>

Developer Community Contents

ITEM	Mar 31, 2024	Dec 31, 2023	change
GitHub (Worldwide open-source development platform)			
ESP32 Projects	64,000	59,100	4,900
ESP8266 Projects	44,800	43,700	1,100
Gitee (Chinese open-source development platform)			
ESP32 Projects	3,379	3,153	226
ESP8266 Projects	2,123	2,068	55
CSDN (Chinese Tech-blog platform) ^[1]			
Search results for ESP32	/	121,840	
Search results for ESP8266	/	48,213	
Hackaday (open-source hardware platform)			
ESP32 projects	5,859	5,691	168
ESP8266 projects	6,277	6,252	25
Reddit			
ESP32 group members	81,000	76,046	4,954
ESP8266 group members	62,000	60,961	1,039
bilibili (Chinese video-sharing platform)			
Official account followers	31,672	30,261	1,411
Official account views	1,001,858	942,075	59,783
YouTube			
Official account subscribers	20,000	18,800	1,200
Official account views	1,033,166	968,573	64,593
ESP32 community videos ^[2]	>1,000,000	819,109	
ESP8266 community videos ^[3]	>1,000,000	872,026	
Views of most watched ESP32 community video	~ 4.2m	~ 4.1m	~ 0.12m
Views of most watched ESP8266 community video	~ 1.7m	~ 1.7m	~ 0.03m

N.B.:

Statistical data derived from different platforms may be based on different collecting methods. It is possible for certain platforms to modify their algorithms from time to time and, therefore, impact the resulting statistical data. The above-mentioned data resulted from the Company's research at the end of each quarter reported here, unless otherwise stated.

The search results of the keyword "ESP32" include the ESP32 series, ESP32-C series, ESP32-S series, and ESP32-H series.

[1] Due to the unpredictable adjustments in CSDN search results, which have rendered them non-comparable over time, we have ceased tracking this data.
 [2] [3] As the quantity of YouTube videos pertaining to ESP32 and ESP8266 surpasses the maximum retrieval limit of 1,000,000 imposed by our API, we have suspended the updating of this dataset

Business Model

Business-to-Developer-to-Business (B2D2B)

Espressif has deployed the Business-to-Developer type of marketing, not only because it has gained prominence in recent years, but also because it has proven to be more effective since the influence of developers on organizations of all sizes has gained traction. In other words, most developers are R&D employees in various companies and bring forth business opportunities from the companies they work for.

This way, the developer ecosystem we have created at Espressif demonstrates how the value of networks can grow exponentially:

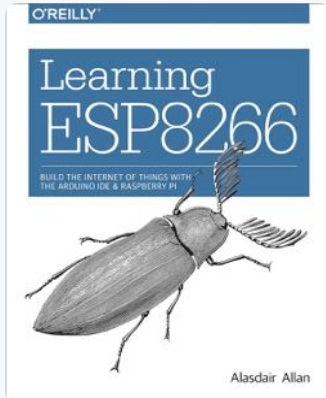
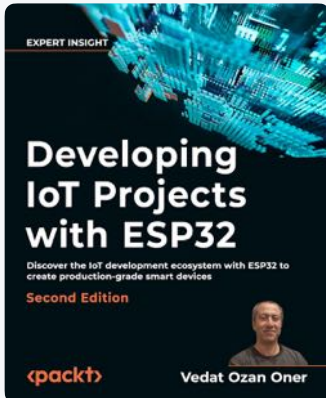
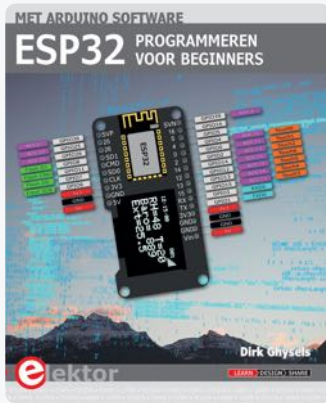
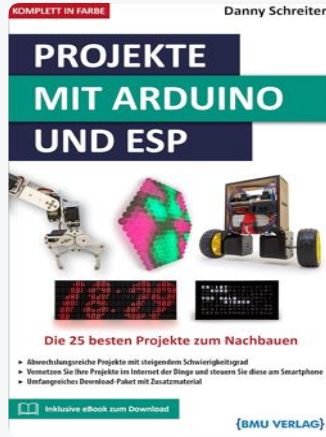
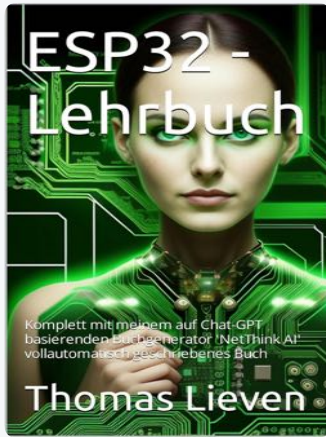
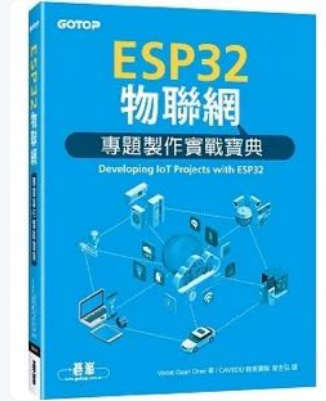
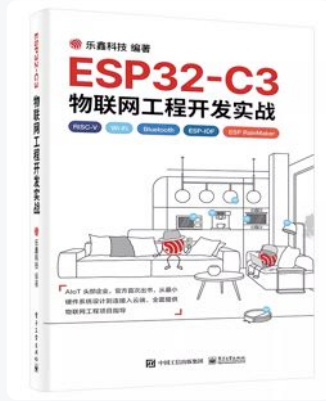
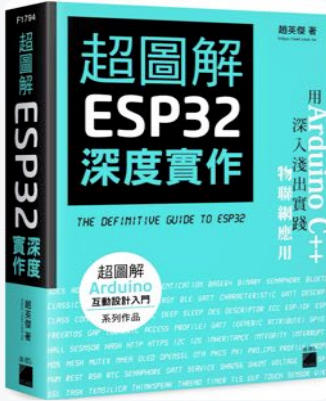
- The more developers we attract as customers, the more hardware and software solutions we generate.
- The more successful hardware and software solutions we create, the more our reputation spreads with positive feedback from happy customers/developers.
- The above-mentioned interaction between people in our network prompts the creation of more content, which -in turn- attracts more users/developers searching for new content.
- Likewise, other third-party development platforms join our ecosystem and bring in new developers, as our influence continues to grow.

Having successfully applied the B2D2B model, Espressif can now focus on R&D investments, while maintaining a small business team that supports a large number of customers directly. In fact, most of our revenue is gained through direct sales.



Books about ESP Products

More than 200 books on how to use ESP products can be found in the developer community and cover over a dozen languages.



Ownership of Securities

Basic information of securities

Share types	Ordinary share
Share capital	80,789,724 (as of Mar 31, 2024)
Listing	Shanghai Stock Exchange (SSE)
Ticker	688018.SH
Listing Date	2019-07-22

Shareholder Structure as of Mar 31, 2024

Shareholder	Share Numbers	Percentage (%)
Espressif (Hong Kong) Investment Ltd.	33,047,244	40.91
Shinvest Holding Ltd.	2,226,179	2.76
Hong Kong Securities Clearing Company Limited	1,418,937	1.76
Wisdomshire Asset Management Co., Ltd. - Wisdomshire Youfu Private Equity Securities Investment Fund No.1	1,203,899	1.49
Ningbo Meishan Free Trade Port Le Tun Investment Management Partnership (Limited Partnership)	1,046,030	1.29
Wisdomshire Asset Management Co., Ltd. - Wisdomshire Youfu Private Equity Securities Investment Fund No.3	978,025	1.21
ICBC-AXA LIFE - Long-term Dividend Product	628,951	0.78
ROBINA WOOD	612,643	0.76
SPD - Debang Semiconductor Industry Hybrid Initiated Securities Investment Fund	602,322	0.75
Wisdomshire Asset Management Co., Ltd. - Wisdomshire Youfu Private Equity Securities Investment Fund No.2	585,756	0.73
Top 10 shareholders	42,349,986	52.44
Espressif Systems (Shanghai) Co., Ltd. Repurchase Special Securities Account	2,528,483	3.13
Other public shareholders	35,911,255	44.43
Total of outstanding shares	80,789,724	100.00

Risks and Uncertainties



Financial Risk

The Company performs periodic credit evaluations of its customers' financial condition and generally requires of its customers no collateral. The Company provides an allowance for expected credit losses, based on the net amount expected to be collected on such receivables. Losses have not been significant for any of the periods presented in this report.



R&D Risk

Espressif's research and development strategy is focused on leveraging new technologies for the creation of innovative AIoT products. Any delays or changes in the development of these technologies by our industry partners, or a failure of our products to achieve market acceptance, could compromise our competitive position.



Competitors

As the market for AIoT products grows, we face an increasing antagonism from relatively large competitors, such as Realtek, MediaTek, Infineon, NXP, Qualcomm and others. Intense competition from current players, as well as new entrants, such as Silicon Labs and Nordic, may reduce our product sales and market share.



Suppliers

A significant portion of the Company's products is fabricated by the Taiwan Semiconductor Manufacturing Company Limited (TSMC). The inability of TSMC to deliver wafers to the Company in a timely manner could impact the production of the Company's products for a certain period of time, which could have an adverse effect on the Company's business, financial condition, results of operations and cash flow.



Customers

The Company sells directly to end customers, distributors, solution providers and contract manufacturers. Our customers are a mix of several big customers and numerous small customers. The concentration ratio for our top-five customers was 28.59% in the first quarter of 2024.

Consolidated Financial Statements (Unaudited)

Consolidated Balance Sheet (Unaudited)

CNY	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	494,579,962	464,011,234
Held for trading financial assets	60,071,822	90,315,219
Notes receivable	21,309,635	42,082,006
Accounts receivable, net	262,456,721	251,641,263
Accounts receivable, financing		
Prepayments	2,050,962	9,802,407
Other receivables	9,035,881	9,157,910
Including: Interest receivable		
Inventories	283,476,084	242,352,587
Other current assets	29,006,955	106,338,922
Total current assets	1,161,988,022	1,215,701,548
Non-current assets:		
Debt investment	728,444,500	753,024,500
Investment in other equity assets	36,079,840	36,079,840
Other non-current financial assets	34,879,347	34,879,347
Fixed assets	72,714,871	76,401,004
Right-of-use assets	22,218,639	15,937,207
Intangible assets	1,438,544	1,633,298
Long-term deferred expenses	14,093,512	9,337,814
Deferred income tax assets	76,134,171	60,805,808
Total assets	2,147,991,446	2,203,800,366

Consolidated Balance Sheet (Unaudited)

CNY	March 31, 2024	December 31, 2023
Liabilities & Shareholders' Equity		
Current liabilities:		
Accounts payable	87,841,986	79,841,809
Contract liabilities	19,979,929	13,318,710
Payroll payable	45,139,590	102,238,914
Taxes payable	4,773,054	615,415
Other payable	7,773,865	11,525,208
Non-current liabilities due within one year	13,144,244	8,591,447
Other current liabilities	1,404,259	501,689
Total current liabilities	180,056,928	216,633,192
Non-current liabilities:		
Lease liabilities	9,667,506	8,454,747
Provisions	615,310	627,089
Deferred income tax liabilities	75,162,381	65,085,110
Total liabilities	265,502,125	290,800,138
Owners' equity (or shareholders' equity):		
Share capital	80,789,724	80,789,724
Capital reserves	1,364,909,809	1,358,508,382
Less: Treasury stock	235,744,552	146,969,563
Other comprehensive income	22,014,478	24,067,306
Surplus reserves	55,460,195	55,460,195
Retained earnings	595,059,666	541,144,184
Total shareholders' equity	1,882,489,321	1,913,000,228
Total liabilities and shareholders' equity	2,147,991,446	2,203,800,366

Consolidated Income Statement (Unaudited)

CNY	Three Months Ended	
	March 31, 2024	March 31, 2023
Revenue	387,191,412	318,117,442
Cost of Revenue	224,823,870	188,599,396
Gross Profit	162,367,542	129,518,046
Taxes and surcharges	457,527	1,786,501
Selling expenses	12,852,562	12,172,902
General and administrative expenses	14,871,808	13,915,033
Research and development expenses	103,846,179	85,483,014
Financial expenses	-1,901,518	-3,649,089
Including: Interest expenses	237,314	264,117
Interest income	3,863,524	2,014,022
Add: Other income	13,216,607	389,875
Investment income (mark "-" for loss)	6,308,354	6,258,547
Income from changes in fair value (mark "-" for loss)	71,822	7,829
Credit impairment losses (mark "-" for loss)		
Assets impairment losses (mark "-" for loss)	-253,454	-938,171
Assets disposal income (mark "-" for loss)	-53	4,739
Operating Income	51,584,260	25,532,504
Add: Non-operating revenue		
Less: Non-operating expenses	26,096	2,465
Income before income taxes	51,558,164	25,530,039
Provision (benefit) for income taxes	-2,357,318	-5,557,391
Net Income	53,915,482	31,087,430
Earnings per share		
Basic	0.6849	0.3884
Diluted	0.6849	0.3884

CNY	Three Months Ended	
	March 31, 2024	March 31, 2023
Net Income	53,915,482	31,087,430
Other comprehensive income (loss), after tax		
Changes to the fair value of investment in other equity instruments		
Currency translation reserves	-2,052,828	-5,268,512
Other comprehensive income (loss)	-2,052,828	-5,268,512
Comprehensive income	51,862,654	25,818,918

Consolidated Cash Flow Statement (Unaudited)

CNY	Three Months Ended	
	March 31, 2024	March 31, 2023
Operating Activities		
Cash from sales of merchandise and provision of services	440,315,774	316,945,873
Tax refund	7,690,353	22,390,791
Other received cash related to operational activities	7,607,522	6,144,834
Subtotal of cash inflow from operational activities	455,613,649	345,481,498
Cash paid for merchandise and services	287,267,252	145,033,851
Cash paid to and for employees	155,448,094	134,472,294
Cash paid for taxes and surcharges	1,301,152	13,455,282
Other paid cash related to operational activities	23,605,814	19,226,628
Subtotal of cash outflow from operational activities	467,622,312	312,188,056
Net cash provided by operating activities	-12,008,662	33,293,443
Investing activities		
Cash arising from the disposal of investments	270,580,123	817,734,181
Cash arising from investment income	784,450	1,754,367
Net cash arising from the disposal of fixed assets, intangible assets and other long-term assets	7,454	17,850
Other received cash relating to investment activities	526,000	311,000
Subtotal of cash inflow from investment activities	271,898,027	819,817,397
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	8,275,595	14,725,260
Cash paid for investments	120,000,000	863,000,000
Other paid cash relating to investment activities	1,000,000	300,000
Subtotal of cash outflow from investment activities	129,275,595	878,025,260
Net cash provided by investment activities	142,622,432	-58,207,863
Financing activities		
Cash arising from the issuance of common stock		727,886
Including: Cash arising from subsidiaries absorbing investments by minority shareholders		
Subtotal of cash inflow from financing activities		727,886
Cash paid for the distribution of dividends and profits, or payment of interests		
Including: dividends and profits paid to minority shareholders by subsidiaries		
Other paid cash relating to financing activities	93,121,892	3,331,678
Subtotal of cash outflow from financing activities	93,121,892	3,331,678
Net cash provided by financing activities	-93,121,892	-2,603,791
Impact of fluctuation in exchange rates on cash and cash equivalents	-5,716,205	1,471,208
Net increase in cash and cash equivalents	31,775,672	-26,047,003
Add: Cash and cash equivalent at the commencement of the period	459,565,727	350,677,354
Cash and cash equivalents at the end of the period	491,341,398	324,630,351

Further Information

Terms and Conditions of the Report

Responsibility Statement

The Board of Directors, the Board of Supervisors and executive management of the Company warrant that the contents of this report are true, accurate and complete, and do not contain any false information, misleading statements or material omissions, severally and jointly accepting any legal responsibility thereof.

Shanghai, 18 April 2024

Espressif Systems

Board of Directors

Teo Swee Ann

Founder and Chairman

Ng Pei Chi

Information Technology Officer

Wang Jue

Deputy General Manager

Teo Teck Leong

Shareholder-elected

Lan Yuzhe

Independent Director

Koh Chuan Koon

Independent Director

Lee Sze Chin

Independent Director

Board of Supervisors

Lv Zhihua

Employee-elected

Fu Hanyu

Shareholder-elected

Wang Yiwen

Shareholder-elected

Executive Management

Teo Swee Ann

Founder and CEO

Wang Jue

Deputy General Manager

Shao Jingbo

Financial Director



Forward-looking Statements

This report contains forward-looking statements and/or assessments about the business, financial condition, performance and strategy of the Espressif Group. These statements and/or assessments are based on assumptions and management expectations resting upon currently available information and current estimates. These are subject to a multitude of uncertainties and risks, many of which are partially or entirely beyond Espressif’s control. Espressif’s actual business development, financial condition, performance and strategy may, therefore, differ from what is discussed in this report.

List of abbreviations

AI	Artificial Intelligence
AIoT	Artificial Intelligence and Internet of Things
Bluetooth LE	Bluetooth Low Energy
CEO	Chief Executive Officer
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
Espressif	ESPRESSIF SYSTEMS (SHANGHAI) CO., LTD.
GM	Gross Margin
IC	Integrated Circuit
IoT	Internet of Things
OBD	On-Board Diagnostics
ODM	Original Design Manufacturer
OEM	Original Equipment Manufacturer
R&D	Research & Development
RF	Radio Frequency
RISC-V MCU	Reduced Instruction Set Computer-V Microcontroller Unit
ROE	Return on Earnings
SG&A	Selling, General and Administrative
SH	Shanghai
SoCs	System on Chips

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All amounts presented in these condensed Consolidated Financial Statements are shown in CNY unless stated otherwise. Slight discrepancies between the amounts presented may occur due to rounding.