



ESPRRESSIF
乐鑫科技

SHARE :: CONNECT :: INNOVATE



Q3

2023
REPORT

Contents

03

About Espressif

04

Business Highlights

04 Key Financial Data (Unaudited)

04 Financial Indicators (Unaudited)

05 Financial Analysis

06

Management Report

06 Business Strategy

07 Core Technologies

09 Key Products - IoT Chips

10 Key Products - AIoT Chip Portfolio

11 Market

12 Developer Community Content

13 Business Model

14 Books about ESP Products

15 Ownership of Securities

16 Risks and Uncertainties

17

Consolidated Financial Statements (Unaudited)

17 Consolidated
Balance Sheet

19 Consolidated
Income Statement

20 Consolidated Cash Flow
Statement

21

Further Information

21 Terms and Conditions
of the Report

22 List of abbreviations

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 around 600 members of staff from almost 30 countries and regions, +77% 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 share*



products distributed
all over the world



millions of users



Our R&D Centers

China

- Shanghai
- Suzhou
- Hefei
- Wuxi

Brazil

- Campinas

India

- Pune

Czech Republic

- Brno

Singapore

* Market share data from TSR

Business Highlights (Unaudited)

Key Financial Data (Unaudited)

CNY	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Consolidated Statement of Income Data				
Revenue	359,958,768	335,492,468	1,026,956,744	949,311,349
Gross profit	146,055,551	133,299,795	418,510,206	380,143,573
Selling expenses	12,683,522	13,104,619	38,207,772	32,684,306
General and administrative expenses	15,803,022	17,068,928	44,749,984	44,022,027
Research and development expenses	107,661,031	86,731,045	285,845,605	239,185,604
Net income	22,598,780	20,572,966	87,169,123	83,848,190
Earnings per share:				
Basic			1.0875	1.0435
Diluted			1.0875	1.0435
			Sep 30, 2023	Dec 31, 2022
Consolidated Balance Sheet Data				
Net Cash (Debt) ^[1]			1,369,440,716	1,200,219,436
Working capital			1,083,033,825	1,518,383,808
Total assets			2,201,908,794	2,082,796,825
Long-term obligations			70,128,556	65,591,788
Total shareholders' equity			1,928,984,960	1,826,677,535
	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Consolidated Cash Flow Data				
Net cash flow from operating activities	106,592,463	20,360,925	206,292,105	-9,163,918
Non-GAAP Adjustment				
Stock-based compensation	11,353,705	6,384,147	23,621,273	11,847,884
Non-GAAP net income	33,952,485	26,957,113	110,790,397	95,696,074

Key Financial Indicators (Unaudited)

	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Gross margin	40.58%	39.73%	40.75%	40.04%
R&D-to-sales ratio	29.91%	25.85%	27.83%	25.20%
EBITDA margin	6.70%	9.35%	9.01%	11.05%
Weighted ROE			4.59%	4.59%

N.B.:

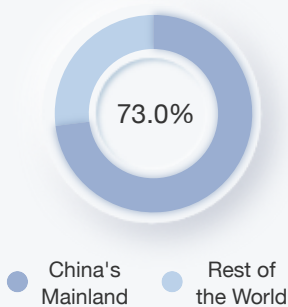
[1]: Net cash (debt) represents period-end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and notes payable.

Financial Analysis

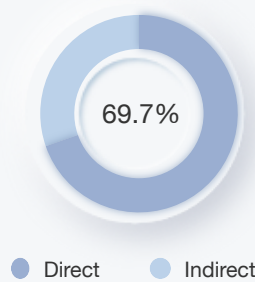
Espressif's total revenue in the first three quarters of the current fiscal year (2023) was CNY 1,026.96 million, marking an increase of 8.18% from CNY 949.31 million in the first three quarters of 2022, due to the expansion of product categories. Therefore, the net income was CNY 87.17 million, which marked an increase of 3.96% YoY, mainly due to the increase of revenue.

The overall gross margin is 40.75%. We successfully reached our targeted overall gross profit margin of 40% for the current period. In China's mainland, customers prefer purchasing chips, whereas customers from the rest of the world and China's mainland OEM or ODM prefer modules. Despite direct sales outside China's mainland accounting for less than 30% of the total, module revenue comprises over 60%, representing both our direct and indirect sales beyond China's mainland.

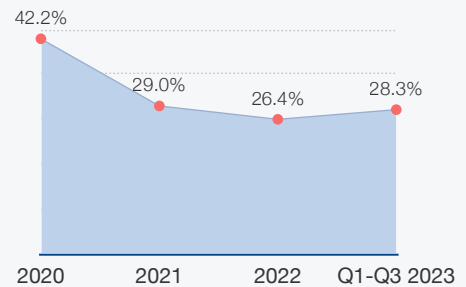
Revenue by Area in the First Three Quarters of 2023



Revenue by Sales Mode in the First Three Quarters of 2023



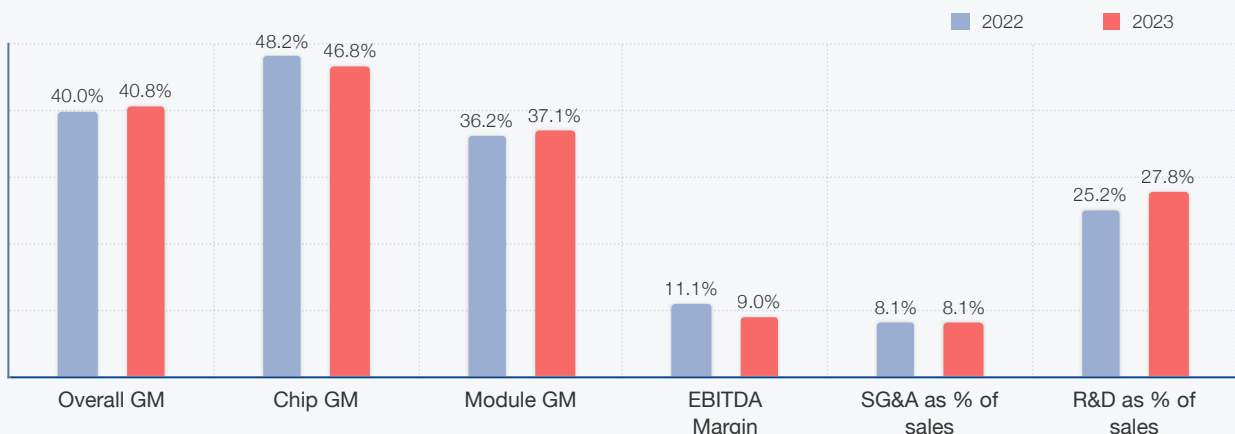
Top-5 Customer Concentration Rate, 2020 - Q3 2023



Revenue by Product Category in the First Three Quarters of 2023



Key Financial Indicators in the First Three Quarters of 2023

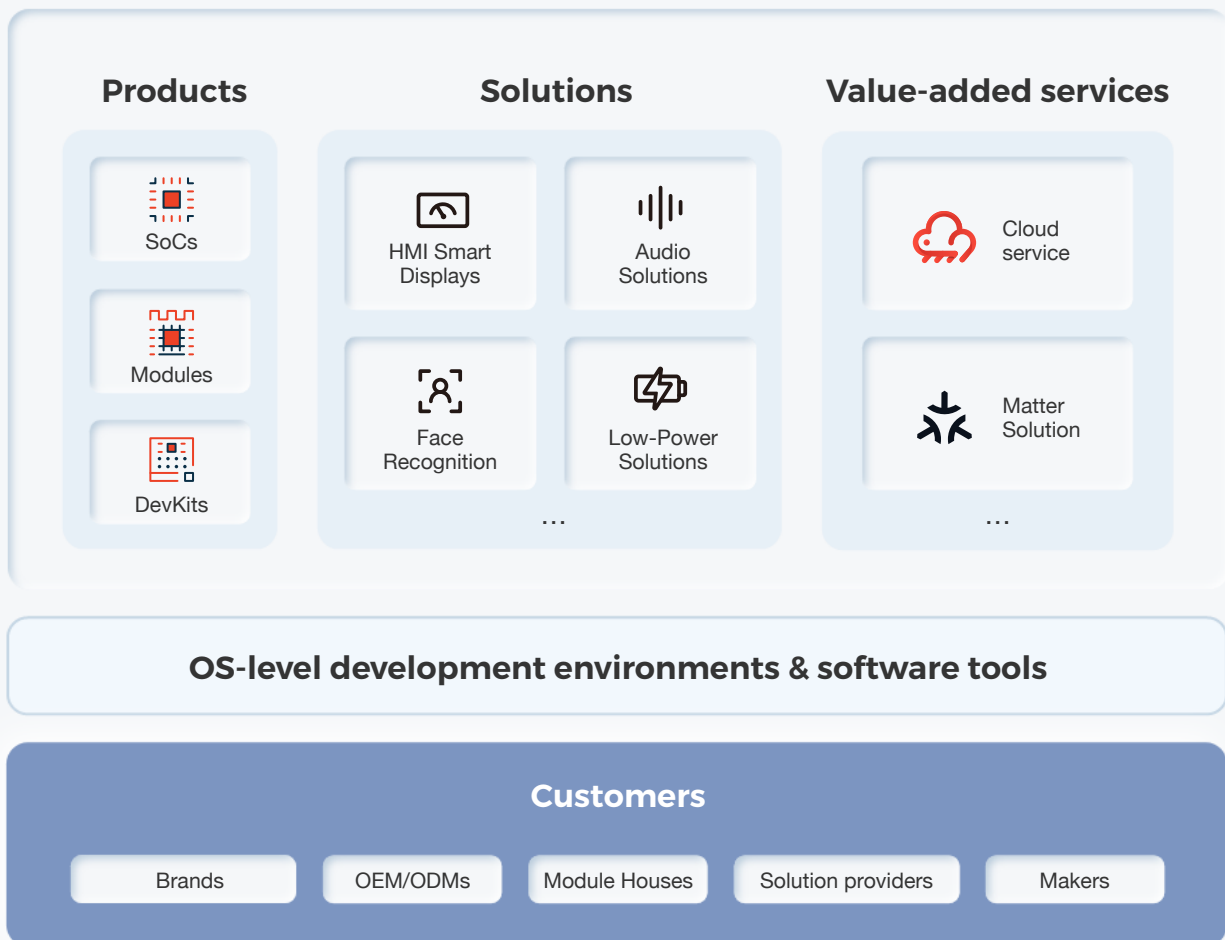


Management Report

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.

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.

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.

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.

ESP RAINMAKER®

ESP RainMaker is a private IoT cloud platform that customers can deploy in their AWS account, giving them full control over data and feature customizations. ESP RainMaker is built on AWS Server-less architecture and leverages AWS-managed services to offer resource scalability, pay-as-you-go pricing, and low maintenance.

ESP RainMaker is a complete solution that customers can use to build their connected products without any development and maintenance efforts. However, with customers' differentiated business requirements, they can also utilize ESP RainMaker as a foundational platform to fully customize the functionality with its open-source SDK, mobile apps and voice assistants, device management dashboard, and open-architecture cloud backend. In this way, customers can build their own IoT platform without reinventing the wheel.



Improve Time-To-Market

Simplify connected device development, eliminating the need for significant upfront investments in both software and hardware.



Complete Control

With ESP RainMaker deployed in customers' own AWS accounts, customers have full control over end user and device data, as well as customization.



Pay-As-You-Grow Pricing

Our high flexibility enables customers to pay as their business expands, avoiding the burden of expenses related to idle resources. It eliminates the need for provisioning and managing servers, allowing customers to focus solely on their business logic and delivering value to their users.



Facilitating Innovation

ESP RainMaker provides all the required and undifferentiated yet critical functionality for connected devices allowing customers to focus on their key differentiators. Furthermore, open-source SDKs & components, phone apps, voice assistant skills, device dashboard, and open-API cloud backend allow customers to easily build custom solutions.

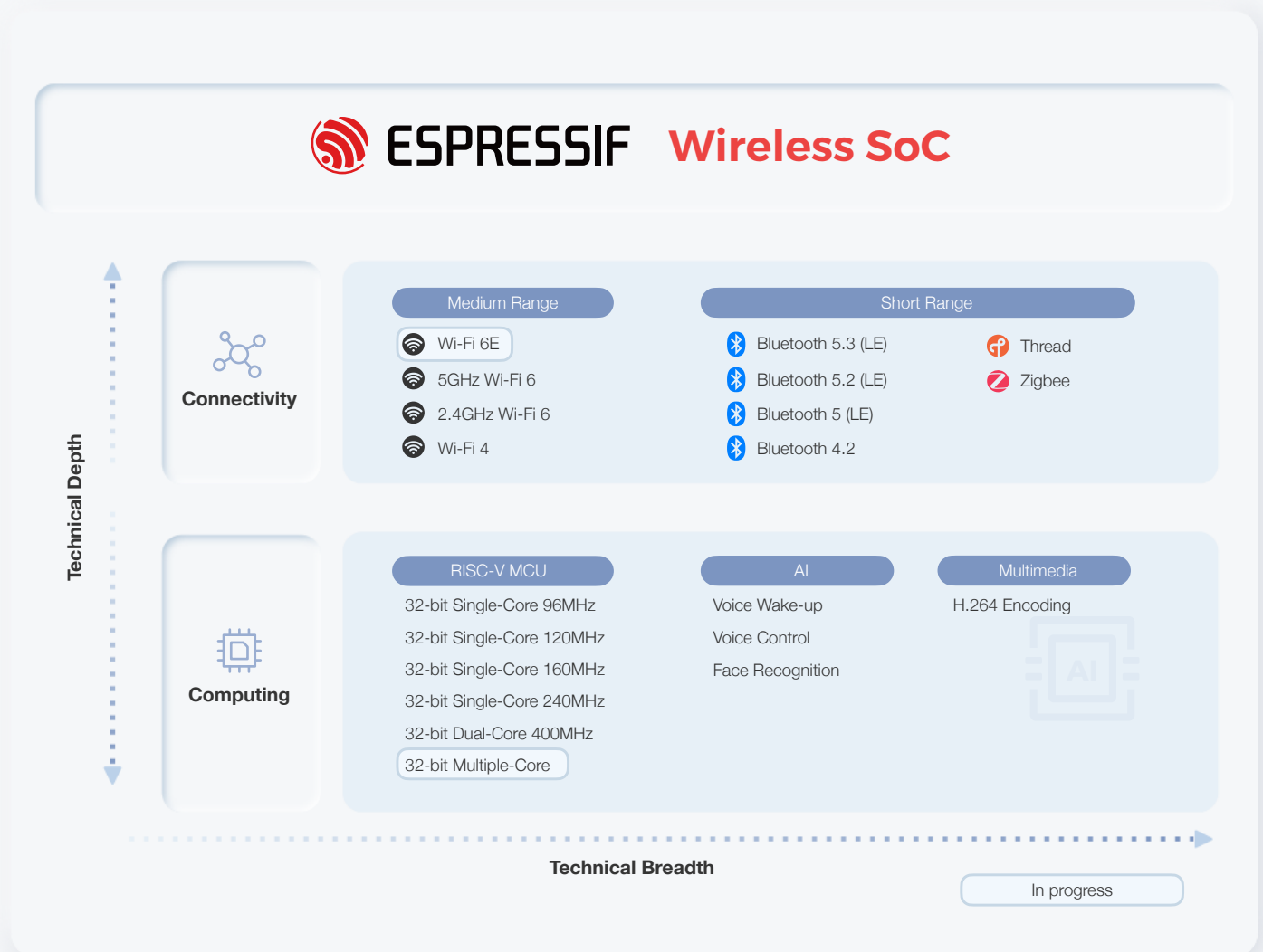


Key Products - AIoT Chips

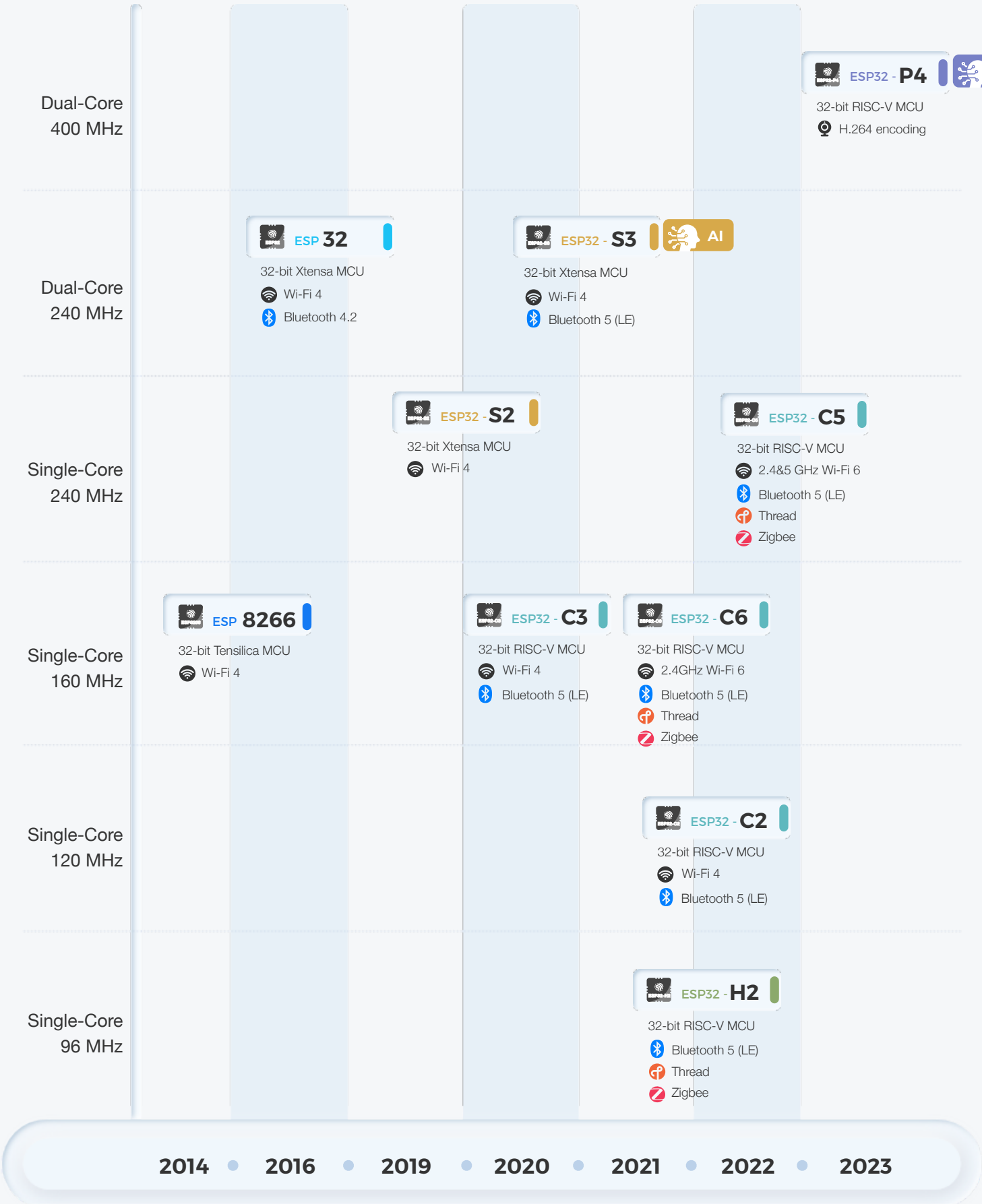
Espressif is recognized as a market leader in the field of Wi-Fi MCUs. We released our first Wi-Fi MCU in 2014, and our first Wi-Fi/Bluetooth LE combo chip in 2016. In 2020, we successfully developed our own RISC-V MCU core, adding it to our product portfolio, while in 2021, we released our first Thread/Zigbee/Bluetooth 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 and our product range has expanded to Wireless SoCs. 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 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. 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 - AIoT Chip Portfolio









N.B.:
In chronological order of chip release dates.

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.).

Although the consumer market shrunk in 2022 due to various macroeconomic factors, digitalization in the non-consumer sectors has brought us many new customers. Moreover, we are encouraged by the gradual recovery in demand observed during the first three quarters of 2023.

<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	Sep 30, 2023	Dec 31, 2022	change%
GitHub (Worldwide open-source development platform)			
ESP32 Projects	54,800	41,891	31%
ESP8266 Projects	42,700	39,294	9%
Gitee (Chinese open-source development platform)			
ESP32 Projects	2,871	2,629	9%
ESP8266 Projects	1,994	1,868	7%
CSDN (Chinese Tech-blog platform)			
Search results for ESP32	114,053	93,242	22%
Search results for ESP8266	45,458	36,286	25%
Hackaday (open-source hardware platform)			
ESP32 projects	5,431	4,702	16%
ESP8266 projects	6,220	6,101	2%
Reddit			
ESP32 group members	70,435	59,619	18%
ESP8266 group members ^[1]	/	59,004	
bilibili (Chinese video-sharing platform)			
Official account followers	29,009	24,064	21%
Official account views	873,858	658,235	33%
YouTube			
Official account subscribers	17,700	14,800	20%
Official account views ^[2]	879,129	810,523	8%
ESP32 community videos	755,973	641,926	18%
ESP8266 community videos	809,857	778,090	4%
Views of most watched ESP32 community video	around 4.0m	around 3.4m	
Views of most watched ESP8266 community video	around 1.7m	around 1.6m	

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] On May 31, 2023, Reddit announced a policy change that will kill essentially some third-party Reddit app now operating. There have been Reddit-wide blackouts in protest to this, and r/esp32 & r/esp8266 have gone private as well. So we will stop updating the member numbers of the Reddit.

[2] Due to the conversion of certain previously published videos to private, the views on the official YouTube account have increased slowly compared to the end of 2022.

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:

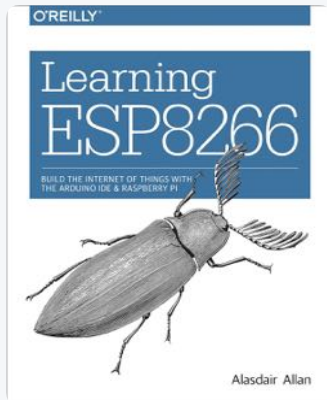
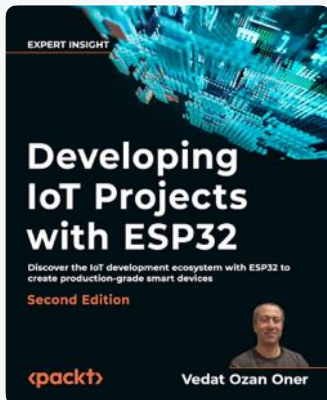
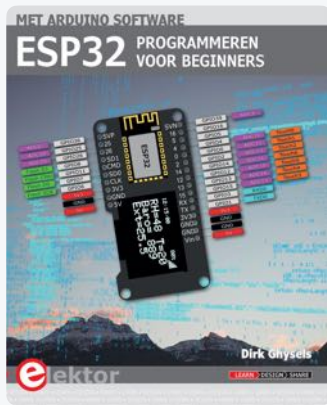
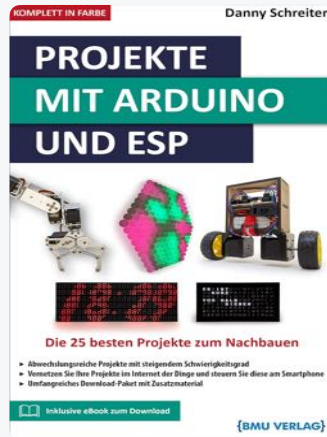
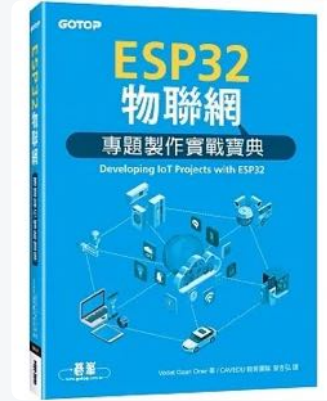
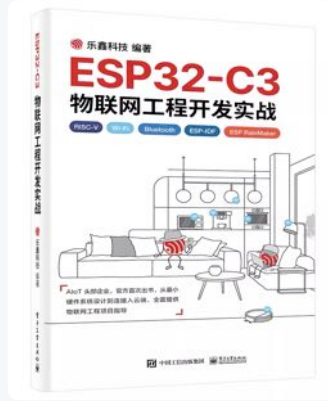
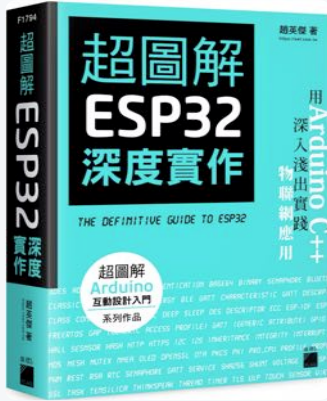
- The more developers we attract as customers, the more hardware and software solutions we generate.
- The more successful hardware and software solutions we create, the more our reputation spreads with positive feedback from happy customers/developers.
- The above-mentioned interaction between people 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	80,787,946 (as of Sep 30, 2023)
Listing	Shanghai Stock Exchange (SSE)
Ticker	688018.SH
Listing Date	2019-07-22

Shareholder Structure as of Sep 30, 2023

Shareholder	Share Numbers	Percentage (%)
Espressif (Hong Kong) Investment Ltd.	33,047,244	40.91
Shinvest Holding Ltd.	2,226,179	2.76
Dajia Life Insurance Co., Ltd. – Universal Products	1,978,918	2.45
Hong Kong Securities Clearing Company Limited	1,442,173	1.79
Ningbo Meishan Free Trade Port Le Tun Investment Management Partnership (Limited Partnership)	1,046,030	1.29
CCB - Zheshang Fengli Strengthen Bond Fund	1,000,000	1.24
GTJA Allianz CSI All-share Semi-conductor Product and Equipment ETF	887,706	1.10
BOC - Franklin Templeton Sealand Fund	729,766	0.90
Changjiang Securities Company Limited	605,097	0.75
BOC - Zhong Ou High-quality Enterprise Mixed Fund	585,798	0.73
Top 10 shareholders	43,548,911	53.92
Espressif Systems (Shanghai) Co., Ltd. Repurchase Dedicated Securities Account	905,758	1.12
Other public shareholders	36,333,277	44.96
Total of outstanding shares	80,787,946	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.



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 28.3% in the first three quarters of 2023.

Consolidated Financial Statements (Unaudited)

Consolidated Balance Sheet (Unaudited)

CNY	Sep 30, 2023	Jan 1, 2023	Dec 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	442,045,799	350,677,354	350,677,354
Held for trading financial assets	65,143,616	461,223,082	461,223,082
Notes receivable	3,601,118	789,099	789,099
Accounts receivable, net	251,747,841	198,406,116	198,406,116
Accounts receivable, financing	20,578,517	1,441,520	1,441,520
Prepayments	8,415,199	9,724,045	9,724,045
Other receivables	11,656,645	9,578,753	9,578,753
Including: Interest receivable	3,160,190	838,168	838,168
Inventories	304,561,961	448,981,896	448,981,896
Other current assets	178,078,407	228,089,444	228,089,444
Total current assets	1,285,829,103	1,708,911,310	1,708,911,310
Non-current assets:			
Debt investment	717,036,000	212,484,600	212,484,600
Investment in other equity assets	35,340,648	35,340,648	35,340,648
Other non-current financial assets	19,879,347	19,879,347	19,879,347
Fixed assets	66,936,465	60,243,507	60,243,507
Construction work in progress			
Right-of-use assets	19,045,128	21,692,767	21,692,767
Intangible assets	1,828,053	2,412,317	2,412,317
Long-term deferred expenses	10,423,630	6,565,887	6,565,887
Deferred income tax assets	45,590,421	18,987,186	15,266,444
Total assets	2,201,908,794	2,086,517,567	2,082,796,825

Consolidated Balance Sheet (Unaudited)

CNY	Sep 30, 2023	Jan 1, 2023	Dec 31, 2022
Liabilities & Shareholders' Equity			
Current liabilities:			
Accounts payable	95,671,305	77,918,867	77,918,867
Contract liabilities	20,992,616	9,044,287	9,044,287
Payroll payable	64,646,889	85,041,335	85,041,335
Taxes payable	7,552,662	5,211,995	5,211,995
Other payable	3,617,689	2,925,552	2,925,552
Non-current liabilities due within one year	9,606,920	9,607,030	9,607,030
Other current liabilities	707,198	778,437	778,437
Total current liabilities	202,795,278	190,527,502	190,527,502
Non-current liabilities:			
Lease liabilities	10,243,587	12,839,126	12,839,126
Provisions	613,410		
Deferred income tax liabilities	59,271,560	56,473,404	52,752,662
Total liabilities	272,923,834	259,840,032	256,119,290
Owners' equity (or shareholders' equity):			
Share capital	80,787,946	80,484,430	80,484,430
Capital reserves	1,363,228,945	1,309,813,001	1,309,813,001
Less: Treasury stock	91,110,366	40,966,012	40,966,012
Other comprehensive income	28,509,570	16,946,374	16,946,374
Surplus reserves	46,570,910	46,570,910	46,570,910
Retained earnings	500,997,955	413,828,832	413,828,832
Total shareholders' equity	1,928,984,960	1,826,677,535	1,826,677,535
Total liabilities and shareholders' equity	2,201,908,794	2,086,517,567	2,082,796,825

N.B.:

Starting from 2023, the company will implement the "Accounting Treatment for Deferred Income Tax Related to Asset and Liability Arising from a Single Transaction That Does Not Qualify for Initial Recognition Exemption" as stipulated in Interpretation No. 16 of the Enterprise Accounting Standards issued by the Ministry of Finance. The company will adjust the application of this standard to single transactions that occurred between the beginning of the earliest period reported in the financial statements and the date of the first implementation of this standard. This includes adjusting the lease liabilities, right-of-use assets, estimated liabilities related to disposal obligations and corresponding related assets that were recognized due to the application of this standard on the initial period reported in the financial statements when the standard was first implemented. If there are temporary differences that result in taxable or deductible amounts related to the above-mentioned adjustments, the cumulative impact on retained earnings and other relevant financial statement items at the beginning of the reporting period will be adjusted according to the provisions of this standard and Enterprise Accounting Standard No. 18 - Income Taxes. So, the amount of deferred income tax assets of January 1, 2023 exceeds the amount of December 31, 2022 disclosed in the 2022 annual report by CNY 3,720,742. The amount of deferred income tax liabilities is also the same.

Consolidated Income Statement (Unaudited)

CNY	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Revenue	359,958,768	335,492,468	1,026,956,744	949,311,349
Cost of Revenue	213,903,217	202,192,673	608,446,538	569,167,776
Gross Profit	146,055,551	133,299,795	418,510,206	380,143,573
Taxes and surcharges	1,924,317	2,080,094	5,238,905	3,827,043
Selling expenses	12,683,522	13,104,619	38,207,772	32,684,306
General and administrative expenses	15,803,022	17,068,928	44,749,984	44,022,027
Research and development expenses	107,661,031	86,731,045	285,845,605	239,185,604
Financial expenses	1,238,018	-2,253,881	-2,721,347	1,012,633
Including: Interest expenses	215,920	161,664	722,742	558,727
Interest income	3,323,868	829,660	7,974,518	2,368,282
Add: Other income	581,160	666,153	1,158,794	3,898,623
Investment income (mark "-" for loss)	9,071,593	7,110,887	20,559,009	17,596,549
Income from changes in fair value (mark "-" for loss)	-28,763	-631,226	143,616	1,349,993
Credit impairment losses (mark "-" for loss)		-231,635		-234,750
Assets impairment losses (mark "-" for loss)	-1,968,775	-331,229	-4,629,613	-736,511
Assets disposal income (mark "-" for loss)	-1,046		3,344	
Operating Income	14,399,809	23,151,940	64,424,439	81,285,864
Add: Non-operating revenue			164,572	
Less: Non-operating expenses	9,898	22,284	15,435	55,689
Income before income taxes	14,389,911	23,129,656	64,573,576	81,230,175
Provision (benefit) for income taxes	-8,208,869	2,556,690	-22,595,547	-2,618,015
Net Income	22,598,780	20,572,966	87,169,123	83,848,190
Earnings per share				
Basic			1.0875	1.0435
Diluted			1.0875	1.0435
CNY	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Net Income	22,598,780	20,572,966	87,169,123	83,848,190
Other comprehensive income (loss), after tax				
Changes to the fair value of investment in other equity instruments		-1,347,760		-1,280,620
Currency translation reserves	-2,923,303	15,116,842	11,563,196	34,605,421
Other comprehensive income (loss)	-2,923,303	13,769,082	11,563,196	33,324,801
Comprehensive income	19,675,477	34,342,048	98,732,319	117,172,991

Consolidated Cash Flow Statement (Unaudited)

CNY	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Operating Activities				
Cash from sales of merchandise and provision of services	411,037,941	353,024,916	1,079,713,764	1,069,255,332
Tax refund	20,167,820	9,534,652	53,672,523	37,477,287
Other received cash related to operational activities	-2,385,723	620,848	8,108,387	13,416,056
Subtotal of cash inflow from operational activities	428,820,038	363,180,416	1,141,494,674	1,120,148,675
Cash paid for merchandise and services	209,720,135	219,595,203	532,158,481	776,358,077
Cash paid to and for employees	76,173,208	71,251,555	284,929,089	242,018,321
Cash paid for taxes and surcharges	16,643,337	20,868,020	52,894,426	46,154,144
Other paid cash related to operational activities	19,690,894	31,104,713	65,220,572	64,782,051
Subtotal of cash outflow from operational activities	322,227,574	342,819,491	935,202,568	1,129,312,593
Net cash provided by operating activities	106,592,463	20,360,925	206,292,105	-9,163,918
Investing activities				
Cash arising from the disposal of investments	400,316,287	726,570,870	1,683,105,838	2,367,674,727
Cash arising from investment income	1,914,306	1,595,172	5,743,953	4,488,622
Net cash arising from the disposal of fixed assets, intangible assets and other long-term assets	4,163		23,413	
Other received cash relating to investment activities	203,000		1,856,000	
Subtotal of cash inflow from investment activities	402,437,756	728,166,042	1,690,729,204	2,372,163,349
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	8,988,571	617,742	33,767,598	15,978,266
Cash paid for investments	395,000,000	789,000,000	1,746,000,000	2,327,100,000
Other paid cash relating to investment activities	300,000		900,000	
Subtotal of cash outflow from investment activities	404,288,571	789,617,742	1,780,667,598	2,343,078,266
Net cash used by investment activities	-1,850,815	-61,451,701	-89,938,394	29,085,083
Financing activities				
Cash arising from the issuance of common stock	6,141,170		30,098,186	26,273,338
Including: Cash arising from subsidiaries absorbing investments by minority shareholders				
Subtotal of cash inflow from financing activities	6,141,170		30,098,186	26,273,338
Cash paid for the distribution of dividends and profits, or payment of interests				128,722,856
Including: dividends and profits paid to minority shareholders by subsidiaries				
Other paid cash relating to financing activities	53,897,561	37,955,764	60,961,795	39,960,171
Subtotal of cash outflow from financing activities	53,897,561	37,955,764	60,961,795	168,683,027
Net cash used for financing activities	-47,756,391	-37,955,764	-30,863,609	-142,409,689
Impact of fluctuation in exchange rates on cash and cash equivalents	-6,225,437	8,168,018	5,878,343	17,024,110
Net increase in cash and cash equivalents	50,759,820	-70,878,522	91,368,445	-105,464,413
Add: Cash and cash equivalent at the commencement of the period	391,285,979	332,556,835	350,677,354	367,142,726
Cash and cash equivalents at the end of the period	442,045,799	261,678,313	442,045,799	261,678,313

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, 23 October 2023
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
IP	Intellectual Property
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
TSR	Techno Systems Research

Investor Relations

ir@espressif.com



Official Platforms

www.espressif.com

blog.espressif.com







github.com/espressif

esp32.com

esp8266.com

bbs.espressif.com

Social Media

-  twitter.com/EspressifSystem
-  facebook.com/espressif
-  linkedin.com/company/espressif-systems
-  youtube.com/EspressifSystems
-  instagram.com/espressif_systems_official
-  bilibili.espressif.com

Copyright © 2023 Espressif Systems (Shanghai) Co., Ltd. All rights reserved. All trade names, trademarks and registered trademarks mentioned in this document are the property of their respective owners, and are hereby acknowledged. The term "Espressif" refers to Espressif Systems (Shanghai) Co., Ltd. and/or its subsidiaries. This report is written in both Chinese and English. In case of any discrepancies between Chinese and foreign interpretations, the Chinese version shall prevail.

Copyright (c) 2011-2012, Julieta Ulanovsky (julieta.ulanovsky@gmail.com), with Reserved Font Names 'Montserrat'. This Font Software is licensed under the SIL Open Font License, Version 1.1. This license is available with a FAQ at: <http://scripts.sil.org/OFL>

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.