## Silicon Laboratories Inc. Condensed Consolidated Statements of Income (In thousands, except per share data) (Unaudited)

	Three Mont	hs Ended	Nine Months Ended		
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011	
Revenues	\$149,461	\$119,100	\$410,833	\$364,933	
Cost of revenues	62,968	46,203	166,442	143,666	
Gross margin	86,493	72,897	244,391	221,267	
Operating expenses:					
Research and development	34,768	31,715	101,943	101,248	
Selling, general and administrative	24,495	27,254	82,075	85,168	
Operating expenses	59,263	58,969	184,018	186,416	
Operating income	27,230	13,928	60,373	34,851	
Other income (expense):					
Interest income	243	388	1,103	1,432	
Interest expense	(234)	(4)	(299)	(14)	
Other income (expense), net	(161)	(81)	807	292	
Income before income taxes	27,078	14,231	61,984	36,561	
Provision for income taxes	17,054	2,976	17,131	13,894	
Net income	\$ 10,024	\$ 11,255	\$ 44,853	\$ 22,667	
Earnings per share:					
Basic	\$ 0.24	\$ 0.26	\$ 1.06	\$ 0.52	
Diluted	\$ 0.24	\$ 0.26	\$ 1.04	\$ 0.50	
Weighted-average common shares outstanding:					
Basic	41,735	42,834	42,279	43,902	
Diluted	42,520	43,919	43,261	45,305	

# Silicon Laboratories Inc. Condensed Consolidated Balance Sheets (In thousands, except per share data) (Unaudited)

AssetsCurrent assets:Cash and cash equivalents\$125,505\$ 94,964Short-term investments148,573212,526Accounts receivable, net of allowances for doubtful accounts of \$789 at September 29, 2012 and \$725 at December 31, 201175,74955,351Inventories42,52334,778Deferred income taxes15,87011,563Prepaid expenses and other current assets36,73543,867Total current assets36,73543,867Total current assets11,41817,477Poperty and equipment, net136,32125,141Godwill130,069115,489Other intangible assets, net37,66934,830Total assets\$855,043\$705,991Liabilities and Stockholders' EquityCurrent liabilities:26,254Accrured expenses41,41430,857Deferred income on shipments to distributors30,90324,962Income taxes3,339665Total current liabilities22,66324,214Current liabilities23,822107,052Commitments and contingencies233,822107,052Commitments and outstanding at September 29, 2012 and December 31, 2011, respectively44Additional paid-in capitalCommon stock-50,0001 par value; 10,000 shares authorized; no shares issued and outstanding at September 29, 2012 and December 31, 2011, respectively44Additional paid-in capital		September 29, 2012	December 31, 2011
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Deferred income on shipments to distributors $30,903$ $24,962$ Income taxes $3,339$ $665$ Total current liabilities $116,159$ $82,838$ Long-term debt $95,000$ $$ Other non-current liabilities $22,663$ $24,214$ Total liabilities $22,663$ $24,214$ Total liabilities $233,822$ $107,052$ Commitments and contingencies $233,822$ $107,052$ Stockholders' equity: $$ $$ Preferred stock $\$0.0001$ par value; $10,000$ shares authorized; no shares issued and outstanding $$ Common stock $\$0.0001$ par value; $250,000$ shares authorized; $41,706$ and $42,068$ shares issued and outstanding at September 29, 2012 and December 31, 2011, respectively $4$ Additional paid-in capital $$ $14,749$ Retained earnings $622,098$ $586,653$ Accumulated other comprehensive loss $(881)$ $(2,467)$ Total stockholders' equity $621,221$ $598,939$	Current portion of long-term debt	5,000	
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Total current liabilities116,15982,838Long-term debt95,000Other non-current liabilities22,66324,214Total liabilities233,822107,052Commitments and contingencies233,822107,052Stockholders' equity:Preferred stock\$0.0001 par value; 10,000 shares authorized; no shares issued and outstandingCommon stock\$0.0001 par value; 250,000 shares authorized; 41,706 and 42,068 shares issued and outstanding at September 29, 2012 and December 31, 2011, respectively44Additional paid-in capital14,749Retained earnings622,098586,653Accumulated other comprehensive loss(881)(2,467)Total stockholders' equity621,221598,939	Deferred income on shipments to distributors	30,903	24,962
Long-term debt95,000Other non-current liabilities22,66324,214Total liabilities233,822107,052Commitments and contingencies233,822107,052Stockholders' equity: Preferred stock\$0.0001 par value; 10,000 shares authorized; no shares issued and outstandingCommon stock\$0.0001 par value; 250,000 shares authorized; 41,706 and 42,068 shares issued and outstanding at September 29, 2012 and December 31, 2011, respectively44Additional paid-in capital14,749Retained earnings622,098586,653Accumulated other comprehensive loss(881)(2,467)Total stockholders' equity621,221598,939	Income taxes	3,339	665
Other non-current liabilities22,66324,214Total liabilities233,822107,052Commitments and contingencies233,822107,052Stockholders' equity: Preferred stock\$0.0001 par value; 10,000 shares authorized; no shares issued and outstandingCommon stock\$0.0001 par value; 250,000 shares authorized; 41,706 and 42,068 shares issued and outstanding at September 29, 2012 and December 31, 2011, respectively44Additional paid-in capital14,749Retained earnings622,098586,653Accumulated other comprehensive loss(881)(2,467)Total stockholders' equity621,221598,939	Total current liabilities	116,159	82,838
Total liabilities233,822107,052Commitments and contingenciesStockholders' equity:107,052Preferred stock\$0.0001 par value; 10,000 shares authorized; no shares issued and outstandingCommon stock\$0.0001 par value; 250,000 shares authorized; 41,706 and 42,068 shares issued and outstanding at September 29, 2012 and December 31, 2011, respectively44Additional paid-in capital14,749Retained earnings622,098586,653Accumulated other comprehensive loss(881)(2,467)Total stockholders' equity621,221598,939	Long-term debt	95,000	
Commitments and contingenciesStockholders' equity: Preferred stock\$0.0001 par value; 10,000 shares authorized; no shares issued and outstandingCommon stock\$0.0001 par value; 250,000 shares authorized; 41,706 and 42,068 shares issued and outstanding at September 29, 2012 and December 31, 2011, respectively4Additional paid-in capitalRetained earnings622,098Accumulated other comprehensive loss(881)Total stockholders' equity621,221598,939	Other non-current liabilities	22,663	24,214
Stockholders' equity: Preferred stock\$0.0001 par value; 10,000 shares authorized; no shares issued and outstandingCommon stock\$0.0001 par value; 250,000 shares authorized; 41,706 and 42,068 shares issued and outstanding at September 29, 2012 and December 31, 2011, respectivelyAdditional paid-in capital14,749Retained earnings622,098586,653Accumulated other comprehensive loss(881)(2,467)Total stockholders' equity621,221598,939	Total liabilities	233,822	107,052
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Accumulated other comprehensive loss(881)(2,467)Total stockholders' equity621,221598,939	Additional paid-in capital		14,749
Accumulated other comprehensive loss(881)(2,467)Total stockholders' equity621,221598,939	Retained earnings	622,098	586,653
Total stockholders' equity621,221598,939	Accumulated other comprehensive loss	(881)	

# Silicon Laboratories Inc. Condensed Consolidated Statements of Cash Flows (In thousands) (Unaudited)

September 29, 2012October 1, 2011Operating Activities $\$$ 44,853\$ 22,667Adjustments to reconcile net income to cash provided by operating activities: Depreciation of property and equipment $10,247$ $10,119$ Net gain on the purchase of property and equipment $(8,457)$ $$ Amorization of other intangible assets and other assets $11,001$ $8,570$ Stock-based compensation expense $23,796$ $27,224$ Income tax benefit from employee stock-based awards $2,301$ $2,301$ Excess income tax benefit from employee stock-based awards $2,470$ $2,111$ Deferred income taxes $5,024$ $2,011$ Changes in operating assets and liabilities: Accounts receivable $(18,470)$ $(11,581)$ Inventories $(5,994)$ $1,670$ Prepaid expenses and other assets $13,283$ $227$ Accounts payable $9,113$ $871$ Accrued expenses $(797)$ $819$ Deferred income on shipments to distributors $5,267$ $1,495$ Income taxes $(13,8822)$ $(113,784)$ Proceeds from sales and maturities of marketable securities $209,972$ $166,262$ Purchases of other assets $(114,60)$ $(11,853)$ Investing Activities $20,972$ $(2,262)$ Net cash provided by (used in) investing activities $106,568$ $16,853$ Financing Activities $709,720$ $(7,472)$ Purchases of other assets, net of cash acquired $(71,852)$ $(2,262)$ Net cash provided by (used in) investing activities		Nine Months Ended		
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Changes in operating assets and liabilities:(18,470)(11,581)Inventories(5,994)1,670Prepaid expenses and other assets13,283227Accounts payable9,113871Accrued expenses(797)819Deferred income on shipments to distributors $5,267$ 1,495Income taxes(4,378)1,287Net cash provided by operating activities84,31965,569Investing ActivitiesPurchases of available-for-sale investments(138,822)(113,784)Proceeds from sales and maturities of marketable securities209,972166,262Purchases of property and equipment(99,720)(7,472)Purchases of other assets(6,146)(891)Acquisition of businesses, net of cash acquired(106,568)16,853Financing Activities(106,568)16,853Financing Activities $2,470$ 2,111Repurchases of common stock, net of shares withheld for taxes $3,035$ 2,320Excess income tax benefit from employee stock-based awards $2,470$ 2,111Repurchases of common stock(51,040)(110,063)Proceeds from issuance of long-term debt, net98,325Payments on debt(7,174)Net cash provided by (used in) financing activities $52,790$ (112,806)Increase (decrease) in cash and cash equivalents $30,541$ (30,384)Cash and cash equivalents at beginning of period94,964138,567	Excess income tax benefit from employee stock-based awards	(2,470)	(2,111)	
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Deferred income on shipments to distributors $5,267$ $1,495$ Income taxes $(4,378)$ $1,287$ Net cash provided by operating activities $84,319$ $65,569$ Investing Activities $84,319$ $65,569$ Purchases of available-for-sale investments $(138,822)$ $(113,784)$ Proceeds from sales and maturities of marketable securities $209,972$ $166,262$ Purchases of property and equipment $(99,720)$ $(7,472)$ Purchases of other assets $(6,146)$ $(891)$ Acquisition of businesses, net of cash acquired $(71,852)$ $(27,262)$ Net cash provided by (used in) investing activities $(106,568)$ $16,853$ Financing Activities $(106,568)$ $16,853$ Financing Activities $2,470$ $2,111$ Repurchases of common stock, net of shares withheld for taxes $2,470$ $2,111$ Repurchases of common stock $(51,040)$ $(110,063)$ Proceeds from issuance of long-term debt, net $98,325$ $$ Payments on debt $$ $(7,174)$ Net cash provided by (used in) financing activities $52,790$ $(112,806)$ Increase (decrease) in cash and cash equivalents $30,541$ $(30,384)$ Cash and cash equivalents at beginning of period $94,964$ $138,567$	Accounts payable	9,113	871	
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Net cash provided by operating activities $84,319$ $65,569$ Investing Activities $(138,822)$ $(113,784)$ Purchases of available-for-sale investments $(138,822)$ $(113,784)$ Proceeds from sales and maturities of marketable securities $209,972$ $166,262$ Purchases of property and equipment $(99,720)$ $(7,472)$ Purchases of other assets $(6,146)$ $(891)$ Acquisition of businesses, net of cash acquired $(71,852)$ $(27,262)$ Net cash provided by (used in) investing activities $(106,568)$ $16,853$ Financing Activities $(106,568)$ $16,853$ Proceeds from issuance of common stock, net of shares withheld for taxes $3,035$ $2,320$ Excess income tax benefit from employee stock-based awards $2,470$ $2,111$ Repurchases of common stock $(51,040)$ $(110,063)$ Proceeds from issuance of long-term debt, net $98,325$ $$ Payments on debt $$ $(7,174)$ Net cash provided by (used in) financing activities $30,541$ $(30,384)$ Cash and cash equivalents at beginning of period $94,964$ $138,567$	Deferred income on shipments to distributors	5,267	1,495	
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Proceeds from sales and maturities of marketable securities $209,972$ $166,262$ Purchases of property and equipment $(99,720)$ $(7,472)$ Purchases of other assets $(6,146)$ $(891)$ Acquisition of businesses, net of cash acquired $(71,852)$ $(27,262)$ Net cash provided by (used in) investing activities $(106,568)$ $16,853$ Financing Activities $(106,568)$ $16,853$ Proceeds from issuance of common stock, net of shares withheld for taxes $3,035$ $2,320$ Excess income tax benefit from employee stock-based awards $2,470$ $2,111$ Repurchases of common stock $(51,040)$ $(110,063)$ Proceeds from issuance of long-term debt, net $98,325$ $$ Payments on debt $$ $(7,174)$ Net cash provided by (used in) financing activities $52,790$ $(112,806)$ Increase (decrease) in cash and cash equivalents $30,541$ $(30,384)$ Cash and cash equivalents at beginning of period $94,964$ $138,567$	Investing Activities			
Purchases of property and equipment $(99,720)$ $(7,472)$ Purchases of other assets $(6,146)$ $(891)$ Acquisition of businesses, net of cash acquired $(71,852)$ $(27,262)$ Net cash provided by (used in) investing activities $(106,568)$ $16,853$ Financing Activities $(106,568)$ $16,853$ Proceeds from issuance of common stock, net of shares withheld for taxes $3,035$ $2,320$ Excess income tax benefit from employee stock-based awards $2,470$ $2,111$ Repurchases of common stock $(51,040)$ $(110,063)$ Proceeds from issuance of long-term debt, net $98,325$ $$ Payments on debt $$ $(7,174)$ Net cash provided by (used in) financing activities $52,790$ $(112,806)$ Increase (decrease) in cash and cash equivalents $30,541$ $(30,384)$ Cash and cash equivalents at beginning of period $94,964$ $138,567$	Purchases of available-for-sale investments	(138,822)	(113,784)	
Purchases of other assets(6,146)(891)Acquisition of businesses, net of cash acquired $(71,852)$ $(27,262)$ Net cash provided by (used in) investing activities $(106,568)$ $16,853$ Financing Activities $(106,568)$ $16,853$ Proceeds from issuance of common stock, net of shares withheld for taxes $3,035$ $2,320$ Excess income tax benefit from employee stock-based awards $2,470$ $2,111$ Repurchases of common stock $(51,040)$ $(110,063)$ Proceeds from issuance of long-term debt, net $98,325$ $$ Payments on debt $$ $(7,174)$ Net cash provided by (used in) financing activities $52,790$ $(112,806)$ Increase (decrease) in cash and cash equivalents $30,541$ $(30,384)$ Cash and cash equivalents at beginning of period $94,964$ $138,567$	Proceeds from sales and maturities of marketable securities	209,972	166,262	
Acquisition of businesses, net of cash acquired $(71,852)$ $(27,262)$ Net cash provided by (used in) investing activities $(106,568)$ $16,853$ Financing Activities $(106,568)$ $16,853$ Proceeds from issuance of common stock, net of shares withheld for taxes $3,035$ $2,320$ Excess income tax benefit from employee stock-based awards $2,470$ $2,111$ Repurchases of common stock $(51,040)$ $(110,063)$ Proceeds from issuance of long-term debt, net $98,325$ $$ Payments on debt $$ $(7,174)$ Net cash provided by (used in) financing activities $52,790$ $(112,806)$ Increase (decrease) in cash and cash equivalents $30,541$ $(30,384)$ Cash and cash equivalents at beginning of period $94,964$ $138,567$	Purchases of property and equipment	(99,720)	(7,472)	
Net cash provided by (used in) investing activities(106,568)16,853Financing Activities(106,568)16,853Proceeds from issuance of common stock, net of shares withheld for taxes3,0352,320Excess income tax benefit from employee stock-based awards2,4702,111Repurchases of common stock(51,040)(110,063)Proceeds from issuance of long-term debt, net98,325Payments on debt(7,174)Net cash provided by (used in) financing activities52,790(112,806)Increase (decrease) in cash and cash equivalents30,541(30,384)Cash and cash equivalents at beginning of period94,964138,567	Purchases of other assets	(6,146)	(891)	
Financing ActivitiesProceeds from issuance of common stock, net of shares withheld for taxesExcess income tax benefit from employee stock-based awardsExcess income tax benefit from employee stock-based awardsCash and cash equivalents at beginning of periodFinancing ActivitiesStateStateProceeds from issuance of long-term debt, netPayments on debtState <td>Acquisition of businesses, net of cash acquired</td> <td>(71,852)</td> <td>(27,262)</td>	Acquisition of businesses, net of cash acquired	(71,852)	(27,262)	
Proceeds from issuance of common stock, net of shares withheld for taxes $3,035$ $2,320$ Excess income tax benefit from employee stock-based awards $2,470$ $2,111$ Repurchases of common stock $(51,040)$ $(110,063)$ Proceeds from issuance of long-term debt, net $98,325$ $$ Payments on debt $$ $(7,174)$ Net cash provided by (used in) financing activities $52,790$ $(112,806)$ Increase (decrease) in cash and cash equivalents $30,541$ $(30,384)$ Cash and cash equivalents at beginning of period $94,964$ $138,567$		(106,568)	16,853	
Excess income tax benefit from employee stock-based awards $2,470$ $2,111$ Repurchases of common stock $(51,040)$ $(110,063)$ Proceeds from issuance of long-term debt, net $98,325$ Payments on debt $$ $(7,174)$ Net cash provided by (used in) financing activities $52,790$ $(112,806)$ Increase (decrease) in cash and cash equivalents $30,541$ $(30,384)$ Cash and cash equivalents at beginning of period $94,964$ $138,567$				
Repurchases of common stock(51,040)(110,063)Proceeds from issuance of long-term debt, net98,325Payments on debt(7,174)Net cash provided by (used in) financing activities52,790(112,806)Increase (decrease) in cash and cash equivalents30,541(30,384)Cash and cash equivalents at beginning of period94,964138,567	Proceeds from issuance of common stock, net of shares withheld for taxes	3,035	2,320	
Proceeds from issuance of long-term debt, net98,325Payments on debt(7,174)Net cash provided by (used in) financing activities52,790(112,806)Increase (decrease) in cash and cash equivalents30,541(30,384)Cash and cash equivalents at beginning of period94,964138,567		2,470	2,111	
Payments on debt(7,174)Net cash provided by (used in) financing activities52,790(112,806)Increase (decrease) in cash and cash equivalents30,541(30,384)Cash and cash equivalents at beginning of period94,964138,567	Repurchases of common stock	(51,040)	(110,063)	
Net cash provided by (used in) financing activities52,790(112,806)Increase (decrease) in cash and cash equivalents30,541(30,384)Cash and cash equivalents at beginning of period94,964138,567		98,325		
Increase (decrease) in cash and cash equivalents30,541(30,384)Cash and cash equivalents at beginning of period94,964138,567	Payments on debt		(7,174)	
Cash and cash equivalents at beginning of period 94,964 138,567	Net cash provided by (used in) financing activities	52,790	(112,806)	
Cash and cash equivalents at beginning of period 94,964 138,567	Increase (decrease) in cash and cash equivalents	30,541	(30,384)	
Cash and cash equivalents at end of period \$125,505 \$108,183	Cash and cash equivalents at beginning of period	94,964	138,567	
		\$125,505	\$108,183	

#### **Non-GAAP Financial Measurements**

In addition to the GAAP results provided throughout this document, Silicon Laboratories has provided non-GAAP financial measurements on a basis excluding non-cash and other one-time charges and benefits. Details of these excluded items are presented in the tables below, which reconcile the GAAP results to non-GAAP financial measurements.

The non-GAAP financial measurements do not replace the presentation of Silicon Laboratories' GAAP financial results. These measurements provide supplemental information to assist management and investors in analyzing Silicon Laboratories' financial position and results of operations. Silicon Laboratories has chosen to provide this information to investors to enable them to perform meaningful comparisons of past, present and future operating results and as a means to emphasize the results of core on-going operations.

Non-GAAP Income Statement Items	Three Months Ended September 29, 2012							
Revenues	<b>GAAP</b> <u><b>Measure</b></u> \$149,461	GAAP Percent of Revenue	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Headquarters Purchase Items	Non- GAAP Measure	Non- GAAP Percent of Revenue
Revenues	\$149,401							
Gross margin	86,493	57.9%	\$ 261	\$	\$ 4,466	\$	\$91,220	61.0%
Research and development	34,768	23.3%	3,039				31,729	21.2%
Selling, general and administrative	24,495	16.4%	4,096	1,428	358	(8,113)	26,726	17.9%
Operating expenses	59,263	39.7%	7,135	1,428	358	(8,113)	58,455	39.1%
Operating income	27,230	18.2%	7,396	1,428	4,824	(8,113)	32,765	21.9%
Provision for income taxes	17,054		801	292	(8,827)	(2,839)	6,481	
Net income	10,024	6.7%	6,595	1,136	13,651	(5,274)	26,132	17.5%

#### Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures (In thousands, except per share data)

Non-GAAP Diluted Earnings Per Share	Three Months Ended September 29, 2012					
	GAAP Measure	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Headquarters Purchase Items	Non- GAAP Measure
Net income	\$10,024	\$6,595	\$1,136	\$13,651	\$(5,274)	\$26,132
Diluted shares outstanding	42,520					42,520
Diluted earnings per share	\$ 0.24					\$ 0.61

\* Excludes stock compensation recognized in connection with terminations costs for our former CEO.

Non-GAAP Income Tax Rate	Three Months Ended September 29, 2012						
	GAAP Measure	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Headquarters Purchase Items	Non- GAAP Measure	
Income before income taxes	\$27,078	\$7,396	\$1,428	\$4,824	\$(8,113)	\$32,613	
Provision for income taxes	17,054	801	292	(8,827)	(2,839)	6,481	
Tax rate percentage	63.0%					19.9%	

### Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures (In thousands, except per share data) (Continued)

\* Excludes stock compensation recognized in connection with terminations costs for our former CEO.

### Unaudited Forward-Looking Statements Regarding Business Outlook \*\* (In thousands, except per share information)

Business Outlook	Three Months Ending December 29, 2012		
	High	Low	
Estimated GAAP diluted earnings per share	\$0.43	\$0.38	
Estimated non-cash charges	0.17	0.17	
Estimated non-GAAP diluted earnings per share	\$0.60	\$0.55	

\*\* These financial schedules contain forward-looking statements based on Silicon Laboratories' current expectations. The words "believe," "estimate," "expect," "intend," "anticipate," "plan," "project," "will" and similar phrases as they relate to Silicon Laboratories are intended to identify such forward-looking statements. These forward-looking statements reflect the current views and assumptions of Silicon Laboratories and are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are the following: risks that Silicon Laboratories may not be able to maintain its historical growth; quarterly fluctuations in revenues and operating results; volatile stock price; average selling prices of products may decrease significantly and rapidly, difficulties developing new products that achieve market acceptance; dependence on a limited number of products and customers; intellectual property litigation risks; inventory-related risks; risks associated with acquisitions; difficulties managing international activities; difficulties managing our manufacturers and subcontractors; risks that Silicon Laboratories may not be able to manage strains associated with its growth; credit risks associated with our accounts receivable; dependence on key personnel; risks associated with divestitures; geographic concentration of manufacturers, assemblers, test service providers and customers in Asia that subjects Silicon Laboratories' business and results of operations to risks of natural disasters, epidemics, war and political unrest; the competitive and cyclical nature of the semiconductor industry and other factors that are detailed in Silicon Laboratories' filings with the SEC. Silicon Laboratories disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.