

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): November 3, 2011

PDF SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

000-31311

(Commission File Number)

Delaware
(State or Other Jurisdiction of Incorporation)

25-1701361
(I.R.S. Employer Identification No.)

333 West San Carlos Street, Suite 700
San Jose, CA 95110

(Address of principal executive offices, with zip code)

(408) 280-7900

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- £ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - £ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - £ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - £ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On November 3, 2011 PDF Solutions (the “Company”) issued a press release regarding its financial results and certain other information related to the second fiscal quarter ended September 30, 2011. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Item 2.02, including Exhibit 99.1, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities under that Section, and shall not be deemed incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated November 3, 2011 regarding financial results and certain other information related to the second fiscal quarter ended September 30, 2011.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PDF SOLUTIONS, INC.
(Registrant)

Dated: November 3, 2011

By: /s/ Michael Shahbazian

Michael Shahbazian
VP and Interim Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated November 3, 2011 regarding financial results and certain other information related to the second fiscal quarter ended September 30, 2011.

News Release

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PDF Solutions® Reports Third Fiscal Quarter 2011 Results

SAN JOSE, Calif. – November 3, 2011 - PDF Solutions, Inc. (NASDAQ: PDFS) the leading provider of yield improvement technologies and services for the integrated circuit (IC) manufacturing process life cycle, today announced financial results for its third fiscal quarter ended September 30, 2011.

Total revenues for the third fiscal quarter of 2011 totaled \$16.9 million, down 2% from \$17.2 million for the second fiscal quarter of 2011 and up 14% when compared with total revenues of \$14.8 million for the third fiscal quarter of 2010. Gainshare performance incentives revenues totaled \$3.0 million, down 29% from \$4.2 million for the second fiscal quarter of 2011 and down 30% when compared with gainshare performance incentives revenues of \$4.3 million for the third fiscal quarter of 2010.

Net income for the third fiscal quarter of 2011 was \$626,000, or \$0.02 per basic and diluted share, compared to net loss of \$(101,000), or \$(0.00) per basic and diluted share, in the second fiscal quarter of 2011 and net loss of \$(84,000), or \$(0.00) per basic and diluted share, in the third fiscal quarter of 2010.

In addition to using GAAP results in evaluating PDF Solutions' business, PDF Solutions' management also believes it is useful to measure results using a non-GAAP measure of net income (loss), excluding stock-based compensation expenses, amortization of acquired technology and other acquired intangible assets, restructuring charges, and their related income tax effects, as applicable. Using this non-GAAP measure, the non-GAAP net income for the third fiscal quarter of 2011 totaled \$2.0 million, or \$0.07 per diluted share, compared with a non-GAAP net income of \$1.5 million, or \$0.05 per diluted share, for the second fiscal quarter of 2011, and the non-GAAP net income of \$1.9 million, or \$0.07 per diluted share, for the third fiscal quarter of 2010.

As previously announced, PDF Solutions will discuss these results on a live conference call beginning at 3.00 p.m. Pacific Time/6.00 p.m. Eastern Time today. The call will be simultaneously web cast on PDF Solutions' website at <http://www.pdf.com/events>. A replay of the web cast will be available at the same website address beginning approximately two hours after completion of the live call. A copy of this press release, including the disclosure and reconciliation of certain non-GAAP financial measures to the comparable GAAP measures, which non-GAAP measures may be used periodically by PDF Solutions' management when discussing financial results with investors and analysts, will also be available on PDF Solutions' website at <http://www.pdf.com/press-releases> following the date of this release.

Information Regarding Use of Non-GAAP Financial Measures

In addition to providing results that are determined in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP), PDF Solutions also provides certain non-GAAP financial measures that exclude the effects of stock-based compensation expenses, amortization of acquired technology and other acquired intangible assets, restructuring charges, and their related income tax effects, as applicable. PDF Solutions' management believes that the presentation of these measures provides useful supplemental information to investors regarding PDF's operating results. These non-GAAP financial measures are used by management internally to measure the company's profitability and performance. PDF Solutions' management believes that excluding the effects of stock-based compensation expenses, amortization of acquired technology and other acquired intangible assets, restructuring charges, and their related income tax effects, as applicable, provides a useful supplemental measure of the company's ongoing operations in light of the fact that none of these categories of expense has a current effect on the future uses of cash (with the exception of restructuring charges) nor do they have use with regards to the generation of current or future revenues. These non-GAAP results should not be considered an alternative to, or a substitute for, GAAP financial information, and may be different from similarly titled non-GAAP measures used by other companies. In particular, these non-GAAP financial measures are not a substitute for GAAP measures of income or loss as a measure of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity. Since management uses these non-GAAP financial measures internally to measure profitability and performance, PDF Solutions has included these non-GAAP measures to give investors an opportunity to see the company's financial results as viewed by management. A reconciliation of the non-GAAP financial measures to the comparable GAAP financial measures is provided at the end of the company's financial statements presented below.

About PDF Solutions

PDF Solutions, Inc. (NASDAQ: PDFS) is the leading provider of yield improvement technologies and services for the IC manufacturing process life cycle. PDF Solutions offers solutions that are designed to enable clients to lower costs of IC design and manufacture, enhance time to market, and improve profitability by addressing design and manufacturing interactions from product design to initial process ramps to mature manufacturing operations. PDF Solutions' Characterization Vehicle® (CV®) test chips provide the core modeling capabilities, and are used by more leading manufacturers than any other test chips in the industry. PDF Solutions' industry leading yield management system software, *dataPOWER*®, and fault detection and classification software, *mæstria*®, enhance yield improvement and production control activities at leading fabs around the world. Headquartered in San Jose, Calif, PDF Solutions operates worldwide with additional offices in China, Europe, Japan, Korea, Singapore, and Taiwan. For the company's latest news and information, visit <http://www.pdf.com/>.

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PDF SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands)

	<u>September 30,</u> <u>2011(*)</u>	<u>December 31,</u> <u>2010 (*)</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 44,187	\$ 38,154
Accounts receivable, net	21,588	23,442
Prepaid expenses and other current assets	<u>3,587</u>	<u>3,185</u>
Total current assets	69,362	64,781
Non-current investments	784	718
Property and equipment, net	798	797
Intangible assets, net	747	1,369
Other non-current assets	615	727
Total assets	<u>\$ 72,306</u>	<u>\$ 68,392</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 923	\$ 1,080
Accrued compensation and related benefits	4,181	3,964
Accrued and other current liabilities	3,295	2,636
Deferred revenues	2,636	3,021
Billings in excess of recognized revenues	2,590	1,802
Current portion of debt obligation	28	108
Total current liabilities	<u>13,653</u>	<u>12,611</u>
Long-term income taxes payable	3,504	3,690
Other non-current liabilities	<u>822</u>	<u>1,259</u>
Total liabilities	<u>17,979</u>	<u>17,560</u>
Stockholders' equity:		
Common stock	4	4
Additional paid-in-capital	207,581	200,866
Treasury stock, at cost	(22,344)	(19,298)
Accumulated deficit	(130,902)	(130,669)
Accumulated other comprehensive loss	(12)	(71)
Total stockholders' equity	<u>54,327</u>	<u>50,832</u>
Total liabilities and stockholders' equity	<u>\$ 72,306</u>	<u>\$ 68,392</u>

(*) In the third quarter 2011, the Company identified out-of-period errors relating to research and development tax credits and grants to its French subsidiary that impacted the fourth quarter of 2009 and first and second quarters of 2011. The Company concludes that these errors, combined with the errors previously identified and disclosed in its Form 10-Q for the second quarter of 2011, continued to be immaterial to any prior period financial statements. Although the effect of these errors was not material to any previously issued financial statements, the cumulative effect of correcting the identified errors in the current year to date would have been material for the fiscal year 2011 financial statements. Therefore, the Company further revised its prior year financial statements to include the correction for these additional out-of-period adjustments.

The aggregate impact by quarter was to increase net loss by \$181,000 for the three months ended March 31, 2011 and increase net loss by \$44,000 for the three months ended June 30, 2011. The aggregate impact for fiscal year 2011 as of September 30, 2011 was to increase net loss by \$225,000.

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PDF SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except per share amounts)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010 (*)</u>	<u>2011 (*)</u>	<u>2010 (*)</u>
Revenues:				
Design-to-silicon-yield solutions	\$ 13,903	\$ 10,498	\$ 37,473	\$ 31,729
Gainshare performance incentives	3,036	4,330	11,643	13,703
Total revenues	<u>16,939</u>	<u>14,828</u>	<u>49,116</u>	<u>45,432</u>
Cost of design-to-silicon-yield solutions:				
Direct costs of design-to-silicon-yield solutions	7,650	6,427	21,350	19,894
Amortization of acquired technology	156	360	468	1,079
Total cost of design-to-silicon-yield solutions	<u>7,806</u>	<u>6,787</u>	<u>21,818</u>	<u>20,973</u>
Gross profit	9,133	8,041	27,298	24,459
Operating expenses:				
Research and development	3,366	3,699	10,912	10,958
Selling, general and administrative	4,158	3,389	14,239	12,521
Amortization of other acquired intangible assets	51	70	153	238
Restructuring charges	4	303	(129)	271
Total operating expenses	<u>7,579</u>	<u>7,461</u>	<u>25,175</u>	<u>23,988</u>
Income from operations	1,554	580	2,123	471
Interest and other income (expense), net	201	(636)	(209)	30
Income (loss) before income taxes	1,755	(56)	1,914	501
Income tax provision	1,129	28	2,147	804
Net income (loss)	<u>\$ 626</u>	<u>\$ (84)</u>	<u>\$ (233)</u>	<u>\$ (303)</u>
Net income (loss) per share:				
Basic	<u>\$ 0.02</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ 0.02</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average common shares:				
Basic	<u>28,124</u>	<u>27,413</u>	<u>28,015</u>	<u>27,154</u>
Diluted	<u>28,348</u>	<u>27,413</u>	<u>28,015</u>	<u>27,154</u>

(*) Includes revisions to correct previously reported amounts.

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PDF SOLUTIONS, INC.
RECONCILIATION OF GAAP NET INCOME (LOSS) TO NON-GAAP NET INCOME (LOSS) (UNAUDITED)
(In thousands, except per share amounts)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010 (*)</u>	<u>2011 (*)</u>	<u>2010 (*)</u>
GAAP net income (loss)	\$ 626	\$ (84)	\$ (233)	\$ (303)
Stock-based compensation expense	1,193	1,244	3,787	4,191
Amortization of acquired technology	156	360	468	1,079
Amortization of other acquired intangible assets	51	70	153	238
Restructuring charges	4	303	(129)	271
Non-GAAP net income	<u>\$ 2,030</u>	<u>\$ 1,893</u>	<u>\$ 4,046</u>	<u>\$ 5,476</u>
GAAP net income (loss) per diluted share	<u>\$ 0.02</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Non-GAAP net income per diluted share	<u>\$ 0.07</u>	<u>\$ 0.07</u>	<u>\$ 0.14</u>	<u>\$ 0.20</u>
Shares used in computing non-GAAP net income per diluted share	<u>28,348</u>	<u>28,170</u>	<u>28,402</u>	<u>27,908</u>

(*) Includes revisions to correct previously reported amounts.

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