

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)

April 22, 2004

PDF Solutions, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction
of Incorporation)

000-31311

(Commission File
Number)

25-1701361

(IRS Employer
Identification No.)

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

(Address of Principal Executive Offices)

95110

(Zip Code)

Registrant's telephone number, including area code

(408) 280-7900

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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Item 7. Financial Statements and Exhibits.

(c) Exhibits.

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|------|--|
| 99.1 | Press Release dated April 22, 2004 regarding financial results and certain other information related to the first fiscal quarter of 2004 ended March 31, 2004 |
| 99.2 | Press Release dated April 22, 2004 regarding the financial outlook for the second fiscal quarter ending June 30, 2004 and the third fiscal quarter ending September 30, 2004 |

Item 12. Results of Operations and Financial Condition.

On April 22, 2004, PDF Solutions, Inc. (“PDF Solutions” or “PDF”) issued a press release regarding its financial results and certain other information related to the first fiscal quarter of 2004 ended March 31, 2004. Also on April 22, 2004, PDF Solutions issued a press release regarding the financial outlook for the second fiscal quarter ending June 30, 2004 and the third fiscal quarter ending September 30, 2004. A copy of each press release is attached as Exhibit 99.1 and Exhibit 99.2, respectively.

Use of Non-GAAP Information

In addition to providing results that are determined in accordance with Generally Accepted Accounting Principles (GAAP), PDF Solutions also provides certain non-GAAP financial measures that exclude certain charges as additional information relating to its operating results. PDF’s management believes that the presentation of these measures provides useful information to investors regarding certain additional financial and business trends relating to its financial condition and results of operations. PDF Solutions has also chosen to provide this information to investors to enable them to perform meaningful comparisons of its past, present and future operating results. These measures are not in accordance with, or an alternative to, GAAP and may be different from non-GAAP measures used by other companies. The calculations of non-GAAP financial measures have been adjusted to exclude the effects of amortization of stock-based compensation and intangibles.

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.

By: /s/ P. Steven Melman

Name: P. Steven Melman
Title: Vice President, Finance and Administration
and Chief Financial Officer

Dated: April 22, 2004

EXHIBIT INDEX

Number	Exhibit
99.1	Press Release dated April 22, 2004 regarding financial results and certain other information related to the first fiscal quarter of 2004 ended March 31, 2004
99.2	Press Release dated April 22, 2004 regarding the financial outlook for the second fiscal quarter ending June 30, 2004 and the third fiscal quarter ending September 30, 2004

NEWS RELEASE

Investor Relations Contact:
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PDF SOLUTIONS(R) REPORTS RECORD
FIRST QUARTER REVENUE

SAN JOSE, Calif. -- April 22, 2004 -- PDF Solutions, Inc. (Nasdaq: PDFS) the leading provider of process-design integration technologies to enhance IC manufacturability, today announced financial results for its first fiscal quarter ended March 31, 2004.

Revenue for the first fiscal quarter of 2004 totaled a record \$12.7 million, an increase of 40%, compared with revenue of \$9.1 million for the first fiscal quarter of 2003. On a GAAP basis, net loss for the first fiscal quarter of 2004 totaled \$1.8 million, or \$0.07 per diluted share, compared with a net loss of \$1.3 million, or \$0.06 per diluted share, for the first fiscal quarter of 2003.

In addition to using GAAP results in evaluating PDF's business, management also believes it useful to measure results using a non-GAAP measure of net income (loss), which excludes amortization of stock-based compensation and acquired intangible assets. Using this non-GAAP measure, net loss for the first fiscal quarter of 2004 totaled approximately \$373,000, or \$0.01 per diluted share, compared with a non-GAAP net loss of approximately \$658,000, or \$0.03 per diluted share, for the first fiscal quarter of 2003.

As previously announced, the company will hold a live conference call beginning at 3:00 p.m. PDT/6:00 p.m. EDT today to discuss the quarterly results. A live webcast of this conference call will be available on the company's website at <http://ir.pdf.com/medialist.cfm>. A replay of the call will be available at the same website address beginning approximately two hours after completion of the live call. Further, a copy of this press release, including the disclosure and reconciliation of certain non-GAAP financial measures to the most directly comparable GAAP measure, which non-GAAP measures may be used periodically by the company's management when discussing financial results with investors and analysts, will be available on the company's website at http://www.pdf.com/news_archive.phtml following the date of this release.

ABOUT PDF SOLUTIONS

PDF Solutions, Inc. (Nasdaq: PDFS) is the leading provider of process-design integration technologies for manufacturing integrated circuits (ICs). PDF's software, methodologies and services enable semiconductor companies to create IC designs that can be more easily manufactured using manufacturing processes that are more capable. By simulating deep sub-micron product and process interactions, the PDF solution offers clients reduced time to market, increased IC yield and performance, and enhanced product reliability and profitability. Headquartered in San Jose, Calif., PDF Solutions operates worldwide with additional offices in Europe and Japan. For more information, visit www.pdf.com.

PDF Solutions(R) is a registered trademark of PDF Solutions, Inc.

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PDF SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(IN THOUSANDS)

MARCH 31, DECEMBER 31,

	2004	2003
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 42,748	\$ 39,110
Accounts receivable, net of allowances	11,165	11,869
Prepaid expenses and other current assets	2,267	2,614
Deferred tax assets	1,953	1,808
	-----	-----
Total current assets	58,133	55,401
Property and equipment, net	3,659	4,110
Goodwill	40,548	40,548
Intangible assets, net	21,146	22,906
Other assets	1,135	1,002
	-----	-----
Total assets	\$ 124,621	\$ 123,967
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,290	\$ 835
Accrued compensation and related benefits	2,201	1,952
Other accrued liabilities	1,601	1,485
Other acquisition obligations	1,675	1,880
Taxes payable	2,579	2,871
Deferred revenue	3,731	3,300
Billings in excess of recognized revenue	776	465
	-----	-----
Total current liabilities	13,853	12,788
Long term liabilities	300	287
Deferred tax liabilities	3,820	4,340
	-----	-----
Total liabilities	17,973	17,415
	=====	=====
Stockholders' equity:		
Common stock	4	4
Additional paid-in-capital	130,225	129,568
Deferred stock-based compensation	(433)	(688)
Notes receivable from stockholders	(1,999)	(3,025)
Accumulated deficit	(21,203)	(19,361)
Accumulated other comprehensive income	54	54
	-----	-----
Total stockholders' equity	106,648	106,552
	-----	-----
Total liabilities and stockholders' equity	\$ 124,621	\$ 123,967
	=====	=====

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PDF SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED	
	MARCH 31, 2004	MARCH 31, 2003
	-----	-----
Revenue:		
Design-to-silicon-yield solutions	\$ 11,695	\$ 8,108
Gain share	981	959
	-----	-----
Total revenue	12,676	9,067
	-----	-----
Cost and expenses:		
Cost of design-to-silicon-yield solutions:		
Direct costs of design-to-silicon-yield solutions	4,354	3,444
Amortization of acquired core technology	1,350	41
Research and development	5,218	4,332
Selling, general and administrative	3,797	2,662
Stock-based compensation amortization	255	649
Amortization of other acquired intangible assets	410	--

Total costs and expenses	15,384	11,128
Loss from operations	(2,708)	(2,061)
Interest and other income, net	153	375
Loss before taxes	(2,555)	(1,686)
Tax benefit	(713)	(352)
Net income (loss)	\$ (1,842)	\$ (1,334)
Net loss per share:		
Basic and Diluted	\$ (0.07)	\$ (0.06)
Weighted average common shares:		
Basic and Diluted	25,301	22,488
*Stock-based compensation amortization:		
Cost of design-to-silicon-yield solutions	\$ 28	\$ 130
Research and development	202	408
Selling, general and administrative	25	111
	\$ 255	\$ 649

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PDF SOLUTIONS, INC.
RECONCILIATION OF REPORTED GAAP NET LOSS TO NON-GAAP NET LOSS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED	
	MARCH 31, 2004	MARCH 31, 2003
GAAP net loss	\$ (1,842)	\$ (1,334)
Stock-based compensation amortization	255	649
Amortization of intangibles, net of taxes	1,214	27
Non-GAAP net loss	\$ (373)	\$ (658)
Non-GAAP net loss per share - basic & diluted	\$ (0.01)	\$ (0.03)
Weighted average common shares - basic & diluted ...	25,301	22,488

NEWS RELEASE

Investor Relations Contact:
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PDF SOLUTIONS(R) PROVIDES FINANCIAL OUTLOOK FOR
THE SECOND AND THIRD FISCAL QUARTERS OF 2004

SAN JOSE, Calif. -- April 22, 2004 -- PDF Solutions, Inc. (Nasdaq: PDFS), the leading provider of process-design integration technologies to enhance IC manufacturability, today provided its updated financial outlook for the second fiscal quarter ending June 30, 2004 and its outlook for the third fiscal quarter ending September 30, 2004.

PDF Solutions expects total revenue in the range of \$14.6 million to \$15.1 million for the second fiscal quarter ending June 30, 2004. Gainshare revenue for the quarter is expected to increase to a range of \$1.7 million to \$1.9 million. On a GAAP basis, net loss for the second fiscal quarter of 2004 is projected in a range of (\$525,000) to (\$30,000), or (\$0.02) to (\$0.00) per diluted share.

PDF Solutions expects total revenue in the range of \$16.0 million to \$16.8 million for the third fiscal quarter ending September 30, 2004. On a GAAP basis, net income (loss) for the third fiscal quarter of 2004 is projected in a range of (\$75,000) to \$420,000, or (\$0.00) to \$0.02 per diluted share.

In addition to using GAAP results in evaluating PDF's business, management also believes it useful to measure results using a non-GAAP measure of net income (loss), which excludes amortization of stock-based compensation and acquired intangible assets. Non-GAAP net income for the second fiscal quarter ending June 30, 2004 is projected in a range of \$810,000 to \$1.3 million, or \$0.03 to \$0.05 per diluted share. Non-GAAP net income for the third fiscal quarter ending Septemeber 30, 2004 is projected in a range of \$1.2 million to \$1.7 million, or \$0.04 to \$0.06 per diluted share.

As previously announced, the company will hold a live conference call beginning at 3:00 p.m. PDT/6:00 p.m. EDT today to discuss its first quarter 2004 results and financial outlook for the second and third quarters of 2004. A live webcast of this conference call will be available on the company's website at <http://ir.pdf.com/medialist.cfm>. A replay of the call will be available at the same website address beginning approximately two hours after completion of the live call. Further, a copy of this press release, including the disclosure and reconciliation of certain non-GAAP financial measures to the most directly comparable GAAP measure, which non-GAAP measures may be used periodically by the company's management when discussing financial results with investors and analysts, will be available on the company's website at http://www.pdf.com/news_archive.phtml following the date of this release.

EFFECTIVENESS OF GUIDANCE

The outlook set forth above represents PDF Solutions' expectations only as of the date of this release, and should not be viewed as a statement about PDF Solutions' expectations after this date. Although this release will remain available on PDF Solutions' website, its continued availability does not indicate that PDF Solutions is reaffirming or confirming its continued validity. PDF Solutions does not intend to report on its progress, or provide comments to analysts or investors on, or otherwise, update such guidance until it releases its quarterly results.

ABOUT PDF SOLUTIONS

PDF Solutions, Inc. (Nasdaq: PDFS) is the leading provider of process-design integration technologies for manufacturing integrated circuits (ICs). PDF's software, methodologies and services enable semiconductor companies to create IC designs that can be more easily manufactured using manufacturing processes that are more capable. By simulating deep sub-micron product and process interactions, the PDF solution offers clients reduced time to market, increased IC yield and performance, and enhanced product reliability and profitability. Headquartered in San Jose, Calif., PDF Solutions operates worldwide with

additional offices in Europe and Japan. For more information, visit www.pdf.com.

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FORWARD-LOOKING STATEMENTS

The statements in this press release regarding PDF's 2004 second and third fiscal quarter outlook, including expected revenue, net income (loss) and net income (loss) per share, are forward looking. Actual results could differ materially from those expressed in these forward-looking statements. Risks and uncertainties that could cause results to differ materially include risks associated with: any unforeseen industry changes; difficulties in modifying PDF's solutions on a timely basis; and changes in the marketplace for our solutions, including the introduction of products or services competitive with PDF's products and services. Readers should also refer to the risk disclosures set forth in PDF's periodic public filings with the Securities and Exchange Commission, including, without limitation, its annual report on Form 10-K, most recently filed on March 15, 2004 (as amended), and its quarterly reports on Form 10-Q, most recently filed on November 14, 2003 (as amended). The forward-looking statements contained in this release are made as of the date hereof, and PDF does not assume any obligation to update such statements nor the reasons why actual results could differ materially from those projected in such statements.

PDF SOLUTIONS, INC.
RECONCILIATION OF PROJECTED REPORTED GAAP NET INCOME (LOSS) TO
PROJECTED NON-GAAP NET INCOME (LOSS)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

PROJECTED RESULTS	THREE MONTHS ENDING JUNE 30, 2004		

GAAP net loss per share - diluted	\$ (0.02)	to	\$ (0.00)
	-----		-----
GAAP net loss	\$ (525)	to	\$ (30)
Stock-based compensation amortization	140		140
Amortization of acquired intangibles, net of taxes	1,195		1,195
	-----		-----
Non-GAAP net income	\$ 810	to	\$ 1,305
	-----		-----
Non-GAAP net income per share - diluted	\$ 0.03	to	\$ 0.05
	-----		-----
Weighted average common shares - basic	25,500		25,500
	-----		-----
Weighted average common shares - diluted	27,000		27,000
	-----		-----

PROJECTED RESULTS	THREE MONTHS ENDING SEPTEMBER 30, 2004		

GAAP net income (loss) per share - diluted	\$ (0.00)	to	\$ 0.02
	-----		-----
GAAP net income (loss)	\$ (75)	to	\$ 420
Stock-based compensation amortization	85		85
Amortization of acquired intangibles, net of taxes	1,145		1,145
	-----		-----
Non-GAAP net income	\$ 1,155	to	\$ 1,650
	-----		-----
Non-GAAP net income per share - diluted	\$ 0.04	to	\$ 0.06
	-----		-----
Weighted average common shares - basic	25,700		25,700
	-----		-----
Weighted average common shares - diluted	27,300		27,300
	-----		-----