

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) **July 22, 2004**

PDF Solutions, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware

000-31311

25-1701361

(State or Other Jurisdiction
of Incorporation)

(Commission File
Number)

(IRS Employer
Identification No.)

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

95110

(Address of Principal Executive Offices)

(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.

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

Item 12. Results of Operations and Financial Condition.

On July 22, 2004, PDF Solutions, Inc. ("PDF Solutions" or "PDF") issued a press release regarding its financial results and certain other information related to the second fiscal quarter of 2004 ended June 30, 2004. Also on July 22, 2004, PDF Solutions issued a press release regarding the financial outlook for the third fiscal quarter ending September 30, 2004 and the fourth fiscal quarter ending December 31, 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: July 22, 2004

EXHIBIT INDEX

<u>Number</u>	<u>Exhibit</u>
99.1	Press Release dated July 22, 2004 regarding financial results and certain other information related to the second fiscal quarter of 2004 ended June 30, 2004
99.2	Press Release dated July 22, 2004 regarding the financial outlook for the third fiscal quarter ending September 30, 2004 and the fourth fiscal quarter ending December 31, 2004

NEWS RELEASE

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PDF SOLUTIONS(R) REPORTS RECORD
SECOND QUARTER REVENUE

Results Represent 6th Sequential Quarter of Revenue Growth

SAN JOSE, Calif. -- July 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 second fiscal quarter ended June 30, 2004.

Revenue for the second fiscal quarter of 2004 totaled a record \$15.2 million, an increase of 50%, compared with revenue of \$10.1 million for the second fiscal quarter of 2003. On a GAAP basis, net loss for the second fiscal quarter of 2004 totaled approximately \$460,000, or \$0.02 per diluted share, compared with a net loss of approximately \$676,000, or \$0.03 per diluted share, for the second 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 or loss, which excludes amortization of stock-based compensation and acquired intangible assets. Using this non-GAAP measure, net income for the second fiscal quarter of 2004 totaled \$1.0 million, or \$0.04 per diluted share, compared with a non-GAAP net loss of approximately \$265,000, or \$0.01 per diluted share, for the second 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.

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

	JUNE 30, 2004	DECEMBER 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 42,472	\$ 39,110
Accounts receivable, net of allowances.....	11,736	11,869
Prepaid expenses and other current assets.....	2,346	2,614
Deferred tax assets.....	1,549	1,808
	-----	-----
Total current assets.....	58,103	55,401
Property and equipment, net.....	3,550	4,110
Goodwill.....	40,590	40,548
Intangible assets, net.....	18,910	22,906
Other assets.....	1,020	1,002
	-----	-----
Total assets.....	\$ 122,173	\$ 123,967
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 1,726	\$ 835
Accrued compensation and related benefits.....	1,900	1,952
Other accrued liabilities.....	1,531	1,485
Other acquisition obligations.....	1,049	1,880
Taxes payable.....	3,817	2,871
Deferred revenue.....	3,649	3,300
Billings in excess of recognized revenue.....	1,320	465
	-----	-----
Total current liabilities.....	14,992	12,788
Long term liabilities.....	307	287
Deferred tax liabilities.....	2,011	4,340
	-----	-----
Total liabilities.....	17,310	17,415
	-----	-----
Stockholders' equity:		
Common stock.....	4	4
Additional paid-in-capital.....	131,185	129,568
Treasury stock.....	(2,942)	--
Deferred stock-based compensation.....	(298)	(688)
Notes receivable from stockholders.....	(1,469)	(3,025)
Accumulated deficit.....	(21,665)	(19,361)
Accumulated other comprehensive income.....	48	54
	-----	-----
Total stockholders' equity.....	104,863	106,552
	-----	-----
Total liabilities and stockholders' equity.....	\$ 122,173	\$ 123,967
	=====	=====

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2004	JUNE 30, 2003	JUNE 30, 2004	JUNE 30, 2003
	---	---	---	---
Revenue:				
Design-to-silicon-yield solutions.....	\$ 13,513	\$ 8,034	\$ 25,208	\$ 16,142
Gain share.....	1,656	2,056	2,637	3,015
	-----	-----	-----	-----
Total revenue.....	15,169	10,090	27,845	19,157
	-----	-----	-----	-----
Cost and expenses:				
Cost of design-to-silicon-yield solutions:				
Direct costs of design-to-silicon-yield solutions...	5,369	3,514	9,723	6,958
Amortization of acquired core technology.....	1,327	124	2,677	165
Research and development.....	4,822	4,370	10,040	8,702
Selling, general and administrative.....	3,622	2,953	7,419	5,615
Stock-based compensation amortization*.....	292	329	547	978
Amortization of other acquired intangible assets....	410	----	820	----
	-----	-----	-----	-----
Total costs and expenses.....	15,842	11,290	31,226	22,418
	-----	-----	-----	-----
Loss from operations.....	(673)	(1,200)	(3,381)	(3,261)
Interest and other income, net.....	138	345	291	720
	-----	-----	-----	-----
Loss before taxes.....	(535)	(855)	(3,090)	(2,541)
Tax benefit.....	(75)	(179)	(788)	(531)
	-----	-----	-----	-----

Net loss.....	\$ (460)	\$ (676)	\$ (2,302)	\$ (2,010)
	=====	=====	=====	=====
Net loss per share:				
Basic and diluted	\$ (0.02)	\$ (0.03)	\$ (0.09)	\$ (0.09)
	=====	=====	=====	=====
Weighted average common shares:				
Basic and diluted.....	25,337	22,614	25,319	22,551
	=====	=====	=====	=====
* Stock-based compensation amortization:				
Cost of design-to-silicon-yield solutions.....	\$ 9	\$ 86	\$ 37	\$ 216
Research and development.....	274	155	476	563
Selling, general and administrative.....	9	88	34	199
	-----	-----	-----	-----
	\$ 292	\$ 329	\$ 547	\$ 978
	=====	=====	=====	=====

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

	THREE MONTHS ENDED	
	JUNE 30, 2004	JUNE 30, 2003
	-----	-----
GAAP net loss.....	\$ (460)	\$ (676)
Stock-based compensation amortization.....	292	329
Amortization of intangibles, net of taxes.....	1,198	82
	-----	-----
Non-GAAP net income (loss).....	\$ 1,030	\$ (265)
	=====	=====
Non-GAAP net income (loss) per share - diluted.....	\$ 0.04	\$ (0.01)
	=====	=====
Weighted average common shares - diluted.....	26,136	22,614
	=====	=====

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NEWS RELEASE

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PDF SOLUTIONS(R) PROVIDES FINANCIAL OUTLOOK FOR
THE THIRD AND FOURTH FISCAL QUARTERS OF 2004

SAN JOSE, Calif. -- July 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 third fiscal quarter ending September 30, 2004 and its outlook for the fourth fiscal quarter ending December 31, 2004.

PDF Solutions expects total revenue in the range of \$16.1 million to \$16.6 million for the third fiscal quarter ending September 30, 2004. Gain share revenue for the quarter is expected to increase to a range of \$2.2 million to \$2.6 million. On a GAAP basis, net income (loss) for the third fiscal quarter of 2004 is projected in a range of (\$25,000) to \$400,000, or (\$0.00) to \$0.02 per diluted share.

PDF Solutions expects total revenue in the range of \$17.7 million to \$18.5 million for the fourth fiscal quarter ending December 31, 2004. On a GAAP basis, net income for the fourth fiscal quarter of 2004 is projected in a range of \$1.1 million to \$1.6 million, or \$0.04 to \$0.06 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, which excludes amortization of stock-based compensation and acquired intangible assets. Non-GAAP net income for the third fiscal quarter ending September 30, 2004 is projected in a range of \$1.2 million to \$1.6 million, or \$0.04 to \$0.06 per diluted share. Non-GAAP net income for the fourth fiscal quarter ending December 31, 2004 is projected in a range of \$2.2 million to \$2.7 million, or \$0.08 to \$0.10 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 second quarter 2004 results and financial outlook for the third and fourth 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.

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

FORWARD-LOOKING STATEMENTS

The statements in this press release regarding PDF's 2004 third and fourth 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 May 10, 2004. 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 GAAP NET INCOME (LOSS) TO PROJECTED
 NON-GAAP NET INCOME (LOSS)
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

PROJECTED RESULTS	THREE MONTHS ENDING SEPTEMBER 30, 2004	

GAAP net income (loss) per share - diluted	\$ (0.00)	to \$ 0.02
	=====	=====
GAAP net income (loss)	\$ (25)	to \$ 400
Stock-based compensation amortization	105	105
Amortization of acquired intangibles, net of taxes ..	1,115	1,115
	-----	-----
Non-GAAP net income	\$ 1,195	to \$ 1,620
	=====	=====
Non-GAAP net income per share - diluted	\$ 0.04	to \$ 0.06
	=====	=====
Weighted average common shares - basic	25,500	25,500
	=====	=====
Weighted average common shares - diluted	26,600	26,600
	=====	=====

PROJECTED RESULTS	THREE MONTHS ENDING DECEMBER 31, 2004	

GAAP net income (loss) per share - diluted	\$ 0.04	to \$ 0.06
	=====	=====
GAAP net income (loss)	\$ 1,055	to \$ 1,555
Stock-based compensation amortization	60	60

Amortization of acquired intangibles, net of taxes ..	1,035		1,035
	-----		-----
Non-GAAP net income	\$ 2,150	to	\$ 2,650
	=====		=====
Non-GAAP net income per share - diluted	\$ 0.08	to	\$ 0.10
	=====		=====
Weighted average common shares - diluted	26,900		26,900
	=====		=====

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