
**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 21, 2005**

PDF Solutions, Inc.

(Exact name of registrant as specified in its 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.)

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 (see General Instruction A.2. below):

- 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))

TABLE OF CONTENTS

[Item 2.02 Results of Operations and Financial Condition.](#)

[Item 7.01 Regulation FD Disclosure.](#)

[Item 9.01. Financial Statements and Exhibits.](#)

[SIGNATURE](#)

[EXHIBIT INDEX](#)

[EXHIBIT 99.1](#)

[EXHIBIT 99.2](#)

[Table of Contents](#)

Item 2.02 Results of Operations and Financial Condition.

On April 21, 2005, the Registrant issued a press release regarding its financial results and certain other information related to the first fiscal quarter of 2005 ended March 31, 2005. 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 furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into the filings of the Company under the Securities Act of 1933, as amended.

Item 7.01 Regulation FD Disclosure.

On April 21, 2005, the Registrant issued a press release regarding the financial outlook for the second fiscal quarter ending June 30, 2005 and the third fiscal quarter ending September 30, 2005. A copy of the press release is attached hereto as Exhibit 99.2. The information in this Item 7.01, including Exhibit 99.2, is furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into the filings of the Company under the Securities Act of 1933, as amended.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

Exhibit No.	Description
99.1	Press Release dated April 21, 2005 regarding financial results and certain other information related to the first fiscal quarter of 2005 ended March 31, 2005.
99.2	Press Release dated April 21, 2005 regarding the financial outlook for the second fiscal quarter ending June 30, 2005 and the third fiscal quarter ending September 30, 2005.

SIGNATURE

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)

Date: April 21, 2005

By: /s/ P. Steven Melman
P. Steven Melman
*Vice President, Finance and Administration and Chief
Financial Officer*

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated April 21, 2005 regarding financial results and certain other information related to the first fiscal of 2005 ended March 31, 2005.
99.2	Press Release dated April 21, 2005 regarding the financial outlook for the second fiscal quarter ending June 30, 2005 and the third fiscal quarter ending September 30, 2005.

News Release

Investor Relations Contact:
Sonia Segovia, IR Coordinator
PDF Solutions, Inc.
Tel: (408) 938-6491
Email: sonia.segovia@pdf.com

Corporate Communications Contact:
Abbie Kendall, Principal
Armstrong Kendall, Inc.
Tel: (503) 672-4681
Email: abbie@akipr.com

PDF Solutions® Reports Record First Quarter 2005 Revenue

Results Represent 9th Sequential Quarter of Revenue Growth

SAN JOSE, Calif.—April 21, 2005—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, 2005.

Revenue for the first fiscal quarter of 2005 totaled a record \$18.1 million, an increase of 43%, compared with revenue of \$12.7 million for the first fiscal quarter of 2004. On a GAAP basis, net income for the first fiscal quarter of 2005 totaled approximately \$1.4 million, or \$0.05 per diluted share, compared with a net loss of approximately \$1.8 million, or \$0.07 per diluted share, for the first fiscal quarter of 2004.

In addition to using GAAP results in evaluating PDF Solutions' 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 first fiscal quarter of 2005 totaled \$2.7 million, or \$0.10 per diluted share, compared with non-GAAP net loss of approximately \$373,000, or \$0.01 per diluted share, for the first fiscal quarter of 2004.

As previously announced, PDF will hold a live conference call beginning at 3:00 p.m. Pacific Time/6:00 p.m. Eastern Time today to discuss these quarterly results. A live webcast of this conference call will be available on PDF Solutions' 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

-more-

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 PDF Solutions' management when discussing financial results with investors and analysts, will be available on PDF Solutions' 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 Solutions' 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® is a registered trademark of PDF Solutions, Inc.

-more-

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

	<u>March 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 48,388	\$ 45,660
Accounts receivable, net of allowances	18,370	15,978
Prepaid expenses and other current assets	2,867	2,685
Deferred tax assets	1,550	1,586
Total current assets	71,175	65,909
Property and equipment, net	3,236	3,321
Goodwill	39,886	39,886
Intangible assets, net	14,290	15,791
Other assets	348	500
Total assets	<u>\$ 128,935</u>	<u>\$ 125,407</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,434	\$ 1,023
Accrued compensation and related benefits	2,613	3,209
Other accrued liabilities	1,696	2,593
Taxes payable	3,533	3,286
Deferred revenues	3,704	2,905
Billings in excess of recognized revenue	2,211	1,581
Total current liabilities	15,191	14,597
Long-term liabilities	302	311
Deferred tax liabilities	1,583	1,701
Total liabilities	<u>17,076</u>	<u>16,609</u>
Stockholders' equity:		
Common stock	4	4
Additional paid-in-capital	135,856	134,191
Treasury stock	(4,806)	(4,806)
Deferred stock-based compensation	(106)	(148)
Notes receivable from stockholders	(550)	(550)
Accumulated deficit	(18,581)	(19,975)
Accumulated other comprehensive income	42	82
Total stockholders' equity	111,859	108,798
Total liabilities and stockholders' equity	<u>\$ 128,935</u>	<u>\$ 125,407</u>

-more-

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

	Three Months Ended	
	March 31,	March 31,
	2005	2004
Revenue:		
Design-to-silicon-yield solutions:		
Integrated solutions	\$ 12,557	\$ 9,506
Software licenses	3,449	2,189
Gain share	2,087	981
Total revenue	18,093	12,676
Cost and expenses:		
Cost of design-to-silicon-yield solutions:		
Direct costs of design-to-silicon-yield solutions:		
Integrated solutions	5,750	4,352
Software licenses	157	2
Amortization of acquired core technology	1,266	1,350
Research and development	5,336	5,218
Selling, general and administrative	3,914	3,797
Stock-based compensation amortization*	42	255
Amortization of other acquired intangible assets	235	410
Total costs and expenses	16,700	15,384
Income (loss) from operations	1,393	(2,708)
Interest and other income	272	153
Income (loss) before taxes	1,665	(2,555)
Tax provision (benefit)	271	(713)
Net income (loss)	\$ 1,394	\$ (1,842)
Net income (loss) per share:		
Basic	\$ 0.05	\$ (0.07)
Diluted	\$ 0.05	\$ (0.07)
Weighted average common shares:		
Basic	25,696	25,301
Diluted	27,129	25,301
* Stock-based compensation amortization:		
Cost of design-to-silicon-yield solutions	\$ —	\$ 28
Research and development	42	202
Selling, general and administrative	—	25
	\$ 42	\$ 255

-more-

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

	<u>Three Months Ended</u>	
	<u>March 31,</u> <u>2005</u>	<u>March 31,</u> <u>2004</u>
GAAP net income (loss)	\$ 1,394	\$ (1,842)
Stock-based compensation amortization	42	255
Amortization of intangible assets, net of taxes	1,263	1,214
Non-GAAP net income (loss)	<u>\$ 2,699</u>	<u>\$ (373)</u>
Non-GAAP net income (loss) per share — diluted	<u>\$ 0.10</u>	<u>\$ (0.01)</u>
Weighted average common shares — diluted	<u>27,129</u>	<u>25,301</u>

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 Solutions' 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 PDF Solutions' 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 acquired intangible assets.

###

News Release

Investor Relations Contact:
Sonia Segovia, IR Coordinator
PDF Solutions, Inc.
Tel: (408) 938-6491
Email: sonia.segovia@pdf.com

Corporate Communications Contact:
Abbie Kendall, Principal
Armstrong Kendall, Inc.
Tel: (503) 672-4681
Email: abbie@akipr.com

PDF Solutions® Provides Financial Outlook For The Second and Third Quarters of Fiscal 2005

SAN JOSE, Calif.—April 21, 2005—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 and third fiscal quarters ending June 30, 2005 and September 30, 2005, respectively.

As guided previously, PDF Solutions expects total revenue in the range of \$18.6 million to \$19.4 million for the second fiscal quarter ending June 30, 2005. Gain share revenue for the second quarter is now expected to be in a range of \$2.1 million to \$2.5 million. On a GAAP basis, net income for the second fiscal quarter of 2005 is projected in a range of \$1.3 million to \$1.8 million, or \$0.05 to \$0.07 per diluted share, no change from prior guidance.

For the third fiscal quarter ending September 30, 2005, PDF Solutions expects total revenue in the range of \$19.4 million to \$20.2 million. On a GAAP basis, net income for the third fiscal quarter of 2005 is projected in a range of \$1.7 million to \$2.2 million, or \$0.06 to \$0.08 per diluted share.

In addition to using GAAP results in evaluating PDF Solutions' 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 second fiscal quarter ending June 30, 2005 is projected in a range of \$2.4 million to \$2.9 million, or \$0.09 to \$0.11 per diluted share, also no change from prior guidance. Non-GAAP net income for the third fiscal quarter ending September 30, 2005 is projected in a range of \$2.8 million to \$3.3 million, or \$0.10 to \$0.12 per diluted share.

-more-

As previously announced, PDF will hold a live conference call beginning at 3:00 p.m. Pacific Time/6:00 p.m. Eastern Time today to discuss its first quarter 2005 results and financial outlook for the second and third fiscal quarters of 2005. A live webcast of this conference call will be available on PDF Solutions' 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 PDF Solutions' 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 Solutions' 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® is a registered trademark of PDF Solutions, Inc.

Forward-Looking Statements

The statements in this press release regarding PDF Solutions' 2005 second and third fiscal quarter outlook, including expected revenue, net income and net income 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 Solutions' products and services. Readers should also refer to the risk disclosures set forth in PDF Solutions' periodic public filings with the Securities and Exchange Commission, including, without limitation, its annual report on Form 10-K, most recently filed on March 16, 2005, and its quarterly reports on Form 10-Q, most recently filed on November 9, 2004. The forward-looking statements contained in this release are made as of the date hereof, and PDF Solutions does not assume any obligation to update such statements nor the reasons why actual results could differ materially from those projected in such statements.

-more-

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

PROJECTED RESULTS	Three Months Ending June 30, 2005			
GAAP net income per share — diluted	\$ 0.05	to	\$ 0.07	
GAAP net income	\$ 1,335	to	\$ 1,835	
Stock-based compensation amortization	30		30	
Amortization of acquired intangible assets, net of taxes	1,050		1,050	
Non-GAAP net income	<u>\$ 2,415</u>	to	<u>\$ 2,915</u>	
Non-GAAP net income per share — diluted	<u>\$ 0.09</u>	to	<u>\$ 0.11</u>	
Weighted average common shares — diluted	<u>27,550</u>		<u>27,550</u>	

PROJECTED RESULTS	Three Months Ending September 30, 2005			
GAAP net income per share — diluted	\$ 0.06	to	\$ 0.08	
GAAP net income	\$ 1,675	to	\$ 2,175	
Stock-based compensation amortization	25		25	
Amortization of acquired intangible assets, net of taxes	1,050		1,050	
Non-GAAP net income	<u>\$ 2,750</u>	to	<u>\$ 3,250</u>	
Non-GAAP net income per share — diluted	<u>\$ 0.10</u>	to	<u>\$ 0.12</u>	
Weighted average common shares — diluted	<u>27,850</u>		<u>27,850</u>	

-more-

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 Solutions' 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 PDF Solutions' 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 acquired intangible assets.

###