

**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): January 11, 2007

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 January 11, 2007, the Registrant issued a press release regarding its preliminary financial results for the fourth fiscal quarter of 2006 ended December 31, 2006. 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.

As previously announced, John Kibarian, CEO of the Registrant, and Keith Jones, CFO of the Registrant, will host a live teleconference on Tuesday, February 6, 2007, beginning at 3:00 p.m. Pacific Time to discuss the final results for the fourth quarter and full year ended December 31, 2006, as well as provide updated guidance for the fiscal year ending December 31, 2007. An archive of the call and the webcast will be available on the Registrant's website (www.pdf.com) until Tuesday, March 6, 2007 at 11:59 p.m. Pacific Time.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated January 11, 2007 regarding the Registrant's preliminary results for the fourth quarter ended December 31, 2006.

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)

By: /s/ Keith A. Jones
Keith A. Jones
*Vice President, Finance and
Chief Financial Officer*

Dated: January 17, 2007

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated January 11, 2007 regarding the Registrant's preliminary results for the fourth quarter ended December 31, 2006.

News Release

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**PDF Solutions® Announces Preliminary
Fourth Quarter 2006 Results and
Release Date for Final Financial Results**

SAN JOSE, Calif.— January 11, 2007—PDF Solutions, Inc. (Nasdaq: PDFS) the leading provider of process-design integration technologies to enhance IC manufacturability, today announced preliminary results for its fourth fiscal quarter ended December 31, 2006. Results are expected to be lower than the company's prior financial outlook provided on October 25, 2006.

PDF Solutions expects total revenue in the range of \$18.7 million to \$19.1 million for the fourth fiscal quarter ending December 31, 2006. Gain share revenue for the fourth quarter is expected to remain in the range of \$4.5 million to \$5.0 million. On a GAAP basis, the net loss for the fourth fiscal quarter of 2006 is projected in a range of \$1.1 million to \$1.7 million, or \$(0.04) to \$(0.06) per diluted share. These results include approximately \$2.9 million, or \$0.11 per share of stock-based compensation resulting from SFAS 123(R) and the write-off of in-process research and development.

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 fourth fiscal quarter ending December 31, 2006 is expected in a range of \$1.4 million to \$2.0 million, or \$0.05 to \$0.07 per diluted share.

"We are disappointed to announce preliminary financial fourth quarter results that are below our prior guidance," stated chief executive officer John Kibarian. "For the first time ever, a Letter of Agreement for an integrated yield ramp engagement, received from a new customer

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during the third quarter of 2006, did not culminate in a full definitive agreement. This occurred as a result of an unexpected drop in demand for our customer's product that has driven a significant delay in their new process development. In addition, our fourth quarter results were impacted by unexpected delays in new software sales and revenue from yield ramp engagements expected to close in the quarter. These were primarily the result of delays in planned purchases due to a cautious business outlook from a few specific customers".

PDF Solutions' cautions that these expected results are preliminary, based upon the best information available to the company today and are subject to the closing of its financial records and its year end audit by its independent accountants.

John Kibarian, CEO, and Keith Jones, CFO, will host a live teleconference on Tuesday, February 6, 2007, beginning at 3:00 p.m. Pacific Time / 6:00 p.m. Eastern Time to discuss the final results for the fourth quarter and full year ended December 31, 2006, as well as providing updated guidance for fiscal 2007.

An archive of the call and the webcast will be available on the company's website until Tuesday, March 6, 2007 at 11:59 p.m. Pacific Time. To hear the replay when calling from within the United States or Canada, call 1-800-642-1687. When calling from outside the United States or Canada, call +1-706-645-9291. The access code for both replay options is 6342119.

Information Regarding Use of Non-GAAP Financial Measures:

In addition to providing guidance that is 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 expense and amortization of acquired intangible assets, and their related income tax effects. 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's management believes that excluding the effects of stock-based compensation expense and amortization of acquired intangible assets, and their income tax effects, provides a useful supplemental measure of the company's ongoing operations in light of the fact that neither category of expense has a current effect on the future uses of cash nor do they have use with regards to the generation of current or future revenues. This non-GAAP 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 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 has included these non-

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GAAP measures to give investors an opportunity to see the company as viewed by management. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measure is provided at the end of this press 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. PDF Solutions also offers the industry leading Yield Management System (YMS) software, *dataPOWER*®, and Fault Detection and Classification (FDC) software, *Maestria*™, to enhance yield improvement and production control activities at leading fabrication facilities around the world. Headquartered in San Jose, Calif., PDF Solutions operates worldwide with additional offices in Europe, Japan and China. For more information, visit www.pdf.com.

Forward-Looking Statements:

Certain statements in this press release including, but not limited to, anticipated final results for the fiscal fourth quarter ended December 31, 2006 are forward-looking statements that are subject to risks and uncertainties that could cause results to be materially different than expectations. Important factors that could cause actual results to differ materially include: the results of closing its financial records and year end audit, as well as other factors detailed from time to time in the reports PDF Solutions files with the Securities and Exchange Commission including its Form 10-Q for the quarter ended September 30, 2006.

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

PROJECTED RESULTS	Three Months Ending		December 31, 2006
GAAP net loss per share — basic	\$ (0.06)	to	\$ (0.04)
GAAP net loss	\$ (1,700)	to	\$ (1,100)
Amortization of stock-based compensation, net of taxes	1,590		1,590
Amortization of acquired intangible assets, net of taxes	1,070		1,070
Write-off of in-process research & development, net	390		390
Non-GAAP net income	<u>\$ 1,350</u>	to	<u>\$ 1,950</u>
Non-GAAP net income per share — diluted	<u>\$ 0.05</u>	to	<u>\$ 0.07</u>
Weighted average common shares — basic	<u>27,335</u>		<u>27,335</u>
Weighted average common shares — diluted	<u>28,385</u>		<u>28,385</u>