

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): February 7, 2008**

**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 February 7, 2008, the Registrant issued a press release regarding its financial results and certain other information related to the fourth fiscal quarter of 2007 ended December 31, 2007. 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 February 7, 2008, the Registrant issued a press release regarding the financial outlook for the first fiscal quarter ending March 31, 2008. 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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated February 7, 2008 regarding financial results and certain other information related to the fourth fiscal quarter of 2007 ended December 31, 2007.
99.2	Press Release dated February 7, 2008 regarding the financial outlook for the first fiscal quarter ending March 31, 2008.

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**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: February 7, 2008

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**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated February 7, 2008 regarding financial results and certain other information related to the fourth fiscal quarter of 2007 ended December 31, 2007.
99.2	Press Release dated February 7, 2008 regarding the financial outlook for the first fiscal quarter ending March 31, 2008.

*News Release*

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**PDF Solutions® Reports Fourth Quarter  
2007 Results**

*Fourth Quarter Results Contribute to Record Revenue for Fiscal 2007*

SAN JOSE, Calif.—February 7, 2008—PDF Solutions, Inc. (NASDAQ: PDFS) the leading provider of yield improvement technologies and services for the integrated circuit (IC) manufacturing process lifecycle, today announced financial results for its fourth fiscal quarter ended December 31, 2007.

Total revenue for the fourth fiscal quarter of 2007 totaled \$24.6 million, an increase of 30%, compared with total revenue of \$19.0 million for the fourth fiscal quarter of 2006. Gain share revenue for the fourth fiscal quarter of 2007 totaled \$6.5 million, an increase of 33%, compared to \$4.9 million for the fourth fiscal quarter of 2006. Total revenue for the full fiscal year ended December 31, 2007 totaled a record \$94.5 million, compared with total revenue of \$76.2 million for the full fiscal year ended December 31, 2006, an increase of 24%. Gain share revenue for the full fiscal year ended December 31, 2007 totaled a record \$24.1 million compared with gain share revenue of \$20.0 million for the full fiscal year ended December 31, 2006, an increase of 20%. Net income for the fourth fiscal quarter of 2007 totaled \$1.1 million, or \$0.04 per diluted share, compared with a net loss of \$430,000, or \$0.02 per basic and diluted share, for the fourth fiscal quarter of 2006.

In addition to using GAAP results in evaluating PDF Solutions' business, management also believes it is useful to measure results using a non-GAAP measure of net income, which excludes stock-based compensation expense, amortization of acquired intangible assets, write-off of in-process research and development, and their related income tax effects, as applicable. Using this non-

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GAAP measure, net income for the fourth fiscal quarter of 2007 totaled \$5.8 million, or \$0.21 per diluted share, compared with non-GAAP net income of \$2.3 million, or \$0.08 per diluted share, for the fourth fiscal quarter of 2006.

Additionally, during the fourth quarter ended December 31, 2007, PDF Solutions utilized a portion of the \$10 million share repurchase plan previously authorized by its Board of Directors to repurchase 201,300 of its shares on the open market at a weighted average cost of \$7.57, for a total repurchase value of \$1.5 million.

As previously announced, PDF 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://ir.pdf.com/medialist.cfm>. A replay of the web cast 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 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](http://www.pdf.com/news_archive.phtml) 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 expense, amortization of acquired intangible assets, write-off of in-process research and development, 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's management believes that excluding the effects of stock-based compensation expense, amortization of acquired intangible assets, write-off of in-process research and development, 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 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. 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 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

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measures internally to measure profitability and performance, PDF 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 measure 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 lifecycle. 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, *maestria*®, 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 and Korea. For the company's latest news and information, visit <http://www.pdf.com/>.

*Characterization Vehicle, CV, dataPOWER, Maestria, PDF Solutions, and the PDF Solutions logo are registered trademarks of PDF Solutions, Inc.*

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

	December 31, 2007	December 31, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 35,315	\$ 36,451
Short-term investments	9,949	16,402
Accounts receivable	38,526	27,575
Prepaid expenses and other current assets	3,354	2,796
Deferred tax assets	1,676	2,581
Total current assets	88,820	85,805
Property and equipment, net	3,621	3,916
Goodwill	65,170	60,034
Intangible assets, net	12,818	13,605
Long-term deferred tax assets	8,458	4,994
Other assets	464	503
Total assets	<u>\$ 179,351</u>	<u>\$ 168,857</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 421	\$ 302
Accounts payable	3,469	3,182
Accrued compensation and related benefits	5,950	3,325
Other accrued liabilities	2,604	3,843
Taxes payable	208	4,767
Deferred revenue	3,159	3,705
Billings in excess of recognized revenue	553	95
Total current liabilities	16,364	19,219
Long-term debt	907	1,198
Long-term taxes payable	5,581	—
Long-term other liabilities	29	221
Total liabilities	22,881	20,638
Stockholders' equity:		
Common stock	4	4
Additional paid-in-capital	181,566	167,323
Treasury stock at cost	(11,524)	(5,549)
Accumulated deficit	(16,892)	(13,890)
Accumulated other comprehensive income	3,316	331
Total stockholders' equity	156,470	148,219
Total liabilities and stockholders' equity	<u>\$ 179,351</u>	<u>\$ 168,857</u>

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

	Three Months Ended		Year Ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
<b>Revenue:</b>				
Design-to-silicon-yield solutions				
Services	\$ 17,641	\$ 11,523	\$ 63,731	\$ 45,382
Software licenses	417	2,557	6,645	10,774
Gain share	6,497	4,873	24,087	20,028
Total revenue	<u>24,555</u>	<u>18,953</u>	<u>94,463</u>	<u>76,184</u>
<b>Cost of design-to-silicon-yield solutions:</b>				
Direct costs of design-to-silicon-yield solutions				
Services	9,437	7,610	32,279	27,418
Software licenses	57	111	191	209
Amortization of acquired core technology	632	1,472	5,148	5,270
Total cost of design-to silicon-yield solutions	<u>10,126</u>	<u>9,193</u>	<u>37,618</u>	<u>32,897</u>
Gross margin	14,429	9,760	56,845	43,287
<b>Operating expenses:</b>				
Research and development	9,899	8,070	36,074	27,613
Selling, general and administrative	6,613	4,964	24,891	19,814
Amortization of other acquired intangible assets	393	754	3,422	1,459
Write-off of in-process research and development	—	800	—	800
Total operating expenses	<u>16,905</u>	<u>14,588</u>	<u>64,387</u>	<u>49,686</u>
Loss from operations	(2,476)	(4,828)	(7,542)	(6,399)
Interest and other income, net	544	489	1,891	2,827
Loss before taxes	(1,932)	(4,339)	(5,651)	(3,572)
Income tax benefit	(3,000)	(3,909)	(2,724)	(3,133)
Net income (loss)	<u>\$ 1,068</u>	<u>\$ (430)</u>	<u>\$ (2,927)</u>	<u>\$ (439)</u>
<b>Net income (loss) per share:</b>				
Basic	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ (0.10)</u>	<u>\$ (0.02)</u>
Diluted	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ (0.10)</u>	<u>\$ (0.02)</u>
<b>Weighted average common shares:</b>				
Basic	<u>27,964</u>	<u>27,459</u>	<u>28,066</u>	<u>26,885</u>
Diluted	<u>28,246</u>	<u>27,459</u>	<u>28,066</u>	<u>26,885</u>

**PDF SOLUTIONS, INC.**  
**NON-GAAP RESULTS**  
(In thousands, except per share amounts)

	Three Months Ended	
	December 31, 2007	December 31, 2006
GAAP net income (loss)	\$ 1,068	\$ (430)
Stock-based compensation expense – cost of design-to-silicon-yield solutions	765	596
Stock-based compensation expense – research and development	888	599
Stock-based compensation expense – selling, general and administrative	1,124	695
Amortization of acquired core technology	632	1,472
Amortization of other acquired intangible assets	393	754
Write-off of in-process research and development	—	800
Tax impact on reversal of stock-based compensation expense and amortization of intangible assets	976	(2,165)
Non-GAAP net income	<u>\$ 5,846</u>	<u>\$ 2,321</u>
GAAP net income (loss) per diluted share	\$ 0.04	\$ (0.02)
Non-GAAP net income per diluted share	\$ 0.21	\$ 0.08
Shares used in computing diluted non-GAAP measure of net income per share	28,246	28,484

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**News Release**

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**PDF Solutions® Provides Financial Outlook For  
The First Fiscal Quarter of 2008**

SAN JOSE, Calif.—February 7, 2008—PDF Solutions, Inc. (NASDAQ: PDFS), the leading provider of yield improvement technologies and services for the integrated circuit (IC) manufacturing process lifecycle, today provided its financial outlook for the first fiscal quarter ending March 31, 2008.

PDF Solutions expects total revenue in the range of \$23.5 million to \$24.5 million for the first fiscal quarter ending March 31, 2008. Gain share revenue for the first quarter is expected to be in the range of \$5.3 million to \$5.8 million. On a GAAP basis, net income (loss) for the first fiscal quarter of 2008 is projected in a range of (\$50,000) to \$550,000, or (\$0.00) to \$0.02 per basic 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 stock-based compensation expense, amortization of acquired intangible assets and their related income tax effects, as applicable. Non-GAAP net income for the first fiscal quarter ending March 31, 2008 is projected in a range of \$2.2 million to \$2.8 million, or \$0.08 to \$0.10 per diluted share.

As previously announced, PDF will discuss its fourth quarter 2007 results and financial outlook for the first quarter ending March 31, 2008 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 be web cast on PDF Solutions' website at <http://ir.pdf.com/medialist.cfm>. A replay of the web cast will be available at the same website address beginning approximately two hours after completion of

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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](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.

**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, amortization of acquired intangible assets, the write-off of in-process research and development 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's management believes that excluding the effects of stock-based compensation expense, amortization of acquired intangible assets, the write-off of in-process research and development and their income tax effects, as applicable, 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 guidance 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-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 yield improvement technologies and services for the IC manufacturing process lifecycle. 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.

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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, *maestria*®, 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 and Korea. For the company's latest news and information, visit <http://www.pdf.com/>.

*Characterization Vehicle, CV, dataPOWER, Maestria, PDF Solutions, and the PDF Solutions logo are registered trademarks of PDF Solutions, Inc.*

**Forward-Looking Statements:**

The statements in this press release regarding PDF Solutions' outlook for its first fiscal quarter ending March 31, 2008, 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 such solutions, including the introduction of products or services competitive with PDF Solutions' products and services and other risks 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, 2007, and its quarterly reports on Form 10-Q, most recently filed on November 9, 2007. 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.

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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 March 31, 2008	
GAAP net income (loss) per share basic	\$ (0.00)	to \$ 0.02
GAAP net income (loss)	\$ (50)	to \$ 550
Amortization of stock-based compensation, net of taxes	1,740	1,740
Amortization of acquired intangible assets, net of taxes	<u>500</u>	<u>500</u>
Non-GAAP net income	<u>\$ 2,190</u>	to <u>\$ 2,790</u>
Non-GAAP net income per share – diluted	<u>\$ 0.08</u>	to <u>\$ 0.10</u>
Weighted average common shares — basic	<u>28,400</u>	<u>28,400</u>
Weighted average common shares - diluted	<u>28,750</u>	<u>28,750</u>

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