

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 25, 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))
- 
- 

**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.](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

[EXHIBIT 99.1](#)

[EXHIBIT 99.2](#)

---

**Item 2.02 Results of Operations and Financial Condition.**

On April 25, 2007, the Registrant issued a press release regarding its financial results and certain other information related to the first fiscal quarter of 2007 ended March 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 April 25, 2007, the Registrant issued a press release regarding the financial outlook for the second fiscal quarter ending June 30, 2007 and the total fiscal year ending December 31, 2007. 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 April 25, 2007 regarding financial results and certain other information related to the first fiscal quarter of 2007 ended March 31, 2007.
99.2	Press Release dated April 25, 2007 regarding the financial outlook for the second fiscal quarter ending June 30, 2007 and the total fiscal year ending December 31, 2007.

---

**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  
*Chief Financial Officer and  
Vice President, Finance*

Dated: April 25, 2007

---

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press Release dated April 25, 2007 regarding financial results and certain other information related to the first fiscal quarter of 2007 ended March 31, 2007.
99.2	Press Release dated April 25, 2007 regarding the financial outlook for the second fiscal quarter ending June 30, 2007 and the total fiscal year ending December 31, 2007.

## ***News Release***

Investor Relations Contact:  
Steven Melman, V.P. of Investor Relations  
PDF Solutions, Inc.  
Tel: (408) 938-6445  
Email: [steve.melman@pdf.com](mailto:steve.melman@pdf.com)

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

## **PDF Solutions® Reports First Quarter 2007 Results**

### *Total Quarterly Revenue Exceeds \$20 Million*

SAN JOSE, Calif.—April 25, 2007—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, 2007.

Revenue for the first fiscal quarter of 2007 totaled \$22.1 million, an increase of 12%, compared with revenue of \$19.9 million for the first fiscal quarter of 2006. Gain share revenue for the first fiscal quarter of 2007 totaled \$4.9 million, compared to \$5.0 million for the first fiscal quarter of 2006. On a GAAP basis, net loss for the first fiscal quarter of 2007 totaled approximately \$2.4 million, or \$0.08 per basic share, compared with net income of \$268,000, or \$0.01 per diluted share, for the first 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 and their related income tax effects. Using this non-GAAP measure, net income for the first fiscal quarter of 2007 totaled approximately \$3.9 million, or \$0.14 per diluted share, compared with non-GAAP net income of approximately \$3.3 million, or \$0.12 per diluted share, for the first fiscal quarter of 2006.

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 results. A live web cast of this conference call will be available on PDF Solutions' website at <http://ir.pdf.com/medialist.cfm>. A

-more-

---

web cast replay 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, 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, amortization of acquired intangible assets, and their related 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. 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 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 a 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](http://www.pdf.com).

*DataPOWER, Maestria and PDF Solutions are registered trademarks of PDF Solutions, Inc.*

-more-

---

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

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 32,083	\$ 36,451
Short-term investments	18,419	16,402
Accounts receivable, net of allowances	35,099	27,575
Prepaid expenses and other current assets	2,720	2,796
Deferred tax assets	<u>3,087</u>	<u>2,581</u>
Total current assets	91,408	85,805
Property and equipment, net	3,742	3,916
Goodwill	60,997	60,034
Intangible assets, net	11,004	13,605
Deferred tax assets	6,603	4,994
Other assets	<u>533</u>	<u>503</u>
Total assets	<u>\$174,287</u>	<u>\$ 168,857</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 289	\$ 302
Accounts payable	2,554	3,182
Accrued compensation and related benefits	5,364	3,325
Other accrued liabilities	2,283	3,843
Taxes payable	1,533	4,767
Deferred revenues	6,572	3,705
Billings in excess of recognized revenue	<u>888</u>	<u>95</u>
Total current liabilities	19,483	19,219
Long-term debt	1,173	1,198
Long-term taxes payable	4,757	—
Other liabilities	<u>177</u>	<u>221</u>
Total liabilities	<u>25,590</u>	<u>20,638</u>
Stockholders' equity:		
Common stock	4	4
Additional paid-in-capital	169,580	167,323
Treasury stock, at cost	(5,549)	(5,549)
Accumulated deficit	(16,774)	(13,890)
Accumulated other comprehensive income	<u>1,436</u>	<u>331</u>
Total stockholders' equity	<u>148,697</u>	<u>148,219</u>
Total liabilities and stockholders' equity	<u>\$174,287</u>	<u>\$ 168,857</u>

-more-

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

	Three Months Ended	
	March 31, 2007	March 31, 2006
<b>Revenue:</b>		
Design-to-silicon-yield solutions:		
Integrated solutions	\$ 13,764	\$ 12,229
Software licenses	3,485	2,612
Gain share	4,893	5,016
Total revenue	22,142	19,857
<b>Cost and expenses:</b>		
Cost of design-to-silicon-yield solutions:		
Direct costs of design-to-silicon-yield solutions:		
Integrated solutions	7,708	6,429
Software licenses	59	11
Amortization of acquired core technology	1,575	1,266
Research and development	8,370	6,256
Selling, general and administrative	5,844	4,956
Amortization of other acquired intangible assets	1,013	235
Total costs and expenses	24,569	19,153
Income (loss) from operations	(2,427)	704
Interest and other income, net	496	635
Income (loss) before taxes	(1,931)	1,339
Tax provision	424	1,071
Net income (loss)	\$ (2,355)	\$ 268
<b>Net income (loss) per share:</b>		
Basic	\$ (0.08)	\$ 0.01
Diluted	\$ (0.08)	\$ 0.01
<b>Weighted average common shares:</b>		
Basic	27,980	26,542
Diluted	27,980	28,223

-more-

**PDF SOLUTIONS, INC.**  
**IMPACT of NON-GAAP ADJUSTMENTS ON REPORTED NET INCOME (LOSS) (UNAUDITED)**  
(In thousands, except per share amounts)

	Three Months Ended March 31, 2007			Three Months Ended March 31, 2006		
	As reported	Adjustments	Non-GAAP	As reported	Adjustments	Non-GAAP
<b>Revenue:</b>						
Design to-silicon-yield solutions:						
Integrated solutions	\$ 13,764		\$ 13,764	\$ 12,229		\$ 12,229
Software licenses	3,485		3,485	2,612		2,612
Gain share	4,893		4,893	5,016		5,016
Total revenue	<u>22,142</u>	<u>—</u>	<u>22,142</u>	<u>19,857</u>	<u>—</u>	<u>19,857</u>
<b>Cost and expenses:</b>						
Cost of design-to-silicon-yield solutions:						
Direct cost of design-to-silicon-yield solutions:						
Integrated solutions	7,708	(493)(a)	7,215	6,429	(621)(a)	5,808
Software licenses	59		59	11		11
Amortization of acquired core technology	1,575	(1,575)(b)	—	1,266	(1,266)(b)	—
Research and development	8,370	(562)(a)	7,808	6,256	(618)(a)	5,638
Selling, general and administrative	5,844	(782)(a)	5,062	4,956	(929)(a)	4,027
Amortization of other acquired intangible assets	1,013	(1,013)(b)	—	235	(235)(b)	—
Total costs and expenses	<u>24,569</u>	<u>(4,425)</u>	<u>20,144</u>	<u>19,153</u>	<u>(3,669)</u>	<u>15,484</u>
Income (loss) from operations	(2,427)	4,425	1,998	704	3,669	4,373
Interest and other income	496		496	635		635
Income (loss) before taxes	(1,931)	4,425	2,494	1,339	3,669	5,008
Tax provision (benefit)	424	(1,810)(a,b)	(1,386)	1,071	673 (a,b)	1,744
Net income (loss)	<u>\$ (2,355)</u>	<u>\$ 6,235</u>	<u>\$ 3,880</u>	<u>\$ 268</u>	<u>\$ 2,996</u>	<u>\$ 3,264</u>
Net income (loss) per share — diluted	<u>\$ (0.08)</u>	<u>\$ 0.22</u>	<u>\$ 0.14</u>	<u>\$ 0.01</u>	<u>\$ 0.11</u>	<u>\$ 0.12</u>
Weighted average common shares — diluted	<u>27,980</u>	<u>28,590</u>	<u>28,590 (c)</u>	<u>28,223</u>	<u>28,223</u>	<u>28,223</u>

Notes:

- (a) The non-GAAP adjustments represent the reversal of stock-based compensation, net of taxes.  
(b) The non-GAAP adjustments represent the reversal of amortization of intangible assets, net of taxes.  
(c) The shares used in computing non-GAAP net income for the three months ended March 31, 2007 and 2006 include the dilutive impact of common stock options.

###

*News Release*

Investor Relations Contact:  
Steven Melman, V.P. of Investor Relations  
PDF Solutions, Inc.  
Tel: (408) 938-6445  
Email: [steve.melman@pdf.com](mailto:steve.melman@pdf.com)

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

**PDF Solutions® Provides Financial Outlook For  
The Second Quarter and Total Year Fiscal 2007**

SAN JOSE, Calif.—April 25, 2007—PDF Solutions, Inc. (NASDAQ: PDFS), the leading provider of process-design integration technologies to enhance IC manufacturability, today provided its financial outlook for the second fiscal quarter ending June 30, 2007 and reiterated its outlook for the total fiscal year ending December 31, 2007.

PDF Solutions expects total revenue in the range of \$23.6 million to \$25.1 million for the second fiscal quarter ending June 30, 2007. Gain share revenue for the second quarter is expected to be in the range of \$5.6 million to \$6.1 million. On a GAAP basis, net income (loss) for the second fiscal quarter of 2007 is projected in a range of (\$120,000) to \$480,000, or (\$0.00) to \$0.02 per basic share.

For the total fiscal year ending December 31, 2007, PDF Solutions reiterates prior expectations of total revenue in the range of \$105.0 million to \$111.0 million and, on a GAAP basis, net income in a range of \$4.3 million to \$6.3 million, or \$0.14 to \$0.21 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, 2007 is projected in a range of \$4.2 million to \$4.8 million, or \$0.15 to \$0.17 per diluted share. PDF Solutions reiterates that its non-GAAP net income for the total fiscal year ending December 31, 2007 is projected in a range of \$21.3 million to \$23.3 million, or \$0.72 to \$0.78 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 2007 results and financial outlook for the second fiscal quarter and fiscal year 2007. A live webcast of this conference call will be available on PDF Solutions' website at <http://ir.pdf.com/medialist.cfm>. A web cast replay 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](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 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 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.

*-more-*

---

**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](http://www.pdf.com).

*DataPOWER, Maestria and PDF Solutions® are registered trademarks of PDF Solutions, Inc.*

**Forward-Looking Statements:**

The statements in this press release regarding PDF Solutions' outlook for its second fiscal quarter and fiscal year 2007, 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. 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, 2007, and its quarterly reports on Form 10-Q, most recently filed on November 21, 2006. 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 (LOSS) TO PROJECTED**  
**NON-GAAP NET INCOME**  
(In thousands, except per share data)

<b>PROJECTED RESULTS</b>	<b>Three Months Ending June 30, 2007</b>		
GAAP net income (loss) per share — basic	<u>\$ (0.00)</u>	to	<u>\$ 0.02</u>
GAAP net income (loss)	\$ (120)	to	\$ 480
Amortization of stock-based compensation, net of taxes	1,840		1,840
Amortization of acquired intangible assets, net of taxes	2,490		2,490
Non-GAAP net income	<u>\$ 4,210</u>	to	<u>\$ 4,810</u>
Non-GAAP net income per share — diluted	<u>\$ 0.15</u>	to	<u>\$ 0.17</u>
Weighted average common shares — basic	<u>28,400</u>		<u>28,400</u>
Weighted average common shares — diluted	<u>29,000</u>		<u>29,000</u>

<b>PROJECTED RESULTS</b>	<b>Twelve Months Ending December 31, 2007</b>		
GAAP net income per share — diluted	<u>\$ 0.14</u>	to	<u>\$ 0.21</u>
GAAP net income	\$ 4,250	to	\$ 6,260
Amortization of stock-based compensation, net of taxes	8,260		8,260
Amortization of acquired intangible assets, net of taxes	8,790		8,790
Non-GAAP net income	<u>\$ 21,300</u>	to	<u>\$ 23,310</u>
Non-GAAP net income per share — diluted	<u>\$ 0.72</u>	to	<u>\$ 0.78</u>
Weighted average common shares — diluted	<u>29,750</u>		<u>29,750</u>

###