

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**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 21, 2005

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

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), subject to the liabilities of that section, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On July 21, 2005, PDF Solutions, Inc. (the “Company”) issued a press release regarding its financial results for the three-month period ended June 30, 2005. A copy of the press release announcing these financial results is attached hereto as Exhibit 99.1 pursuant to Item 2.02 of Form 8-K and is incorporated herein by reference. Also on July 21, 2005, the Company issued a press release regarding the financial outlook for the third and fourth quarters of fiscal 2005.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits.

99.1 Press Release of PDF Solutions, Inc. dated July 21, 2005, entitled “PDF Solutions Reports Record Second Quarter 2005 Revenue.”

99.2 Press Release of PDF Solutions, Inc. dated July 21, 2005 entitled “PDF Solutions Provides Financial Outlook for the Third and Fourth Quarters of Fiscal 2005.”

**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 21, 2005

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release of PDF Solutions, Inc. dated July 21, 2005, entitled "PDF Solutions Reports Record Second Quarter 2005 Revenue."
99.2	Press Release of PDF Solutions, Inc. dated July 21, 2005 entitled "PDF Solutions Provides Financial Outlook for the Third and Fourth Quarters of Fiscal 2005."

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## **PDF Solutions® Reports Record Second Quarter 2005 Revenue**

*Results Represent 10<sup>th</sup> Sequential Quarter of Revenue Growth*

SAN JOSE, Calif. — July 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 second fiscal quarter ended June 30, 2005.

Revenue for the second fiscal quarter of 2005 totaled a record \$18.4 million, an increase of 21%, compared with revenue of \$15.2 million for the second fiscal quarter of 2004. On a GAAP basis, net income for the second fiscal quarter of 2005 totaled approximately \$1.3 million, or \$0.05 per diluted share, compared with a net loss of approximately \$460,000, or \$0.02 per diluted share, for the second 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 second fiscal quarter of 2005 totaled \$2.9 million, or \$0.11 per diluted share, compared with non-

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GAAP net income of approximately \$1.0 million, or \$0.04 per diluted share, for the second 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 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](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](http://www.pdf.com).

PDF Solutions® is a registered trademark of PDF Solutions, Inc.

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

	<u>June 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 51,862	\$ 45,660
Accounts receivable, net of allowances	18,852	15,978
Prepaid expenses and other current assets	2,436	2,685
Deferred tax assets	1,998	1,586
Total current assets	75,148	65,909
Property and equipment, net	3,614	3,321
Goodwill	39,886	39,886
Intangible assets, net	12,789	15,791
Other assets	608	500
Total assets	<u>\$ 132,045</u>	<u>\$ 125,407</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,827	\$ 1,023
Accrued compensation and related benefits	3,012	3,209
Other accrued liabilities	2,036	2,593
Taxes payable	4,013	3,286
Deferred revenues	2,949	2,905
Billings in excess of recognized revenue	1,921	1,581
Total current liabilities	15,758	14,597
Long-term liabilities	290	311
Deferred tax liabilities	1,469	1,701
Total liabilities	<u>17,517</u>	<u>16,609</u>
Stockholders' equity:		
Common stock	4	4
Additional paid-in-capital	137,181	134,191
Treasury stock	(4,806)	(4,806)
Deferred stock-based compensation	(75)	(148)
Notes receivable from stockholders	(550)	(550)
Accumulated deficit	(17,239)	(19,975)
Accumulated other comprehensive income	13	82
Total stockholders' equity	114,528	108,798
Total liabilities and stockholders' equity	<u>\$ 132,045</u>	<u>\$ 125,407</u>

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>
<b>Revenue:</b>				
Design-to-silicon-yield solutions:				
Integrated solutions	\$ 12,267	\$ 13,352	\$ 24,824	\$ 22,858
Software licenses	3,197	161	6,646	2,350
Gain share	2,892	1,656	4,979	2,637
Total revenue	<u>18,356</u>	<u>15,169</u>	<u>36,449</u>	<u>27,845</u>
<b>Cost and expenses:</b>				
Cost of design-to-silicon-yield solutions:				
Direct costs of design-to-silicon-yield solutions:				
Integrated solutions	5,766	5,308	11,516	9,660
Software licenses	101	61	258	63
Amortization of acquired core technology	1,266	1,327	2,532	2,677



	Three Months Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Research and development	5,655	4,822	10,991	10,040
Selling, general and administrative	4,289	3,622	8,203	7,419
Stock-based compensation amortization*	32	292	74	547
Amortization of other acquired intangible assets	235	410	470	820
Total costs and expenses	<u>17,344</u>	<u>15,842</u>	<u>34,044</u>	<u>31,226</u>
Income (loss) from operations	1,012	(673)	2,405	(3,381)
Interest and other income, net	350	138	622	291
Income (loss) before taxes	1,362	(535)	3,027	(390)
Tax provision (benefit)	20	(75)	291	(788)
Net income (loss)	<u>\$ 1,342</u>	<u>\$ (460)</u>	<u>\$ 2,736</u>	<u>\$ (2,302)</u>
Net income (loss) per share:				
Basic	<u>\$ 0.05</u>	<u>\$ (0.02)</u>	<u>\$ 0.11</u>	<u>\$ (0.09)</u>
Diluted	<u>\$ 0.05</u>	<u>\$ (0.02)</u>	<u>\$ 0.10</u>	<u>\$ (0.09)</u>
Weighted average common shares:				
Basic	<u>25,862</u>	<u>25,337</u>	<u>25,779</u>	<u>25,319</u>
Diluted	<u>26,986</u>	<u>25,337</u>	<u>27,057</u>	<u>25,319</u>
* Stock-based compensation amortization:				
Cost of design-to-silicon-yield solutions	\$ —	\$ 9	\$ —	\$ 37
Research and development	32	274	74	476
Selling, general and administrative	—	9	—	34
	<u>\$ 32</u>	<u>\$ 292</u>	<u>\$ 74</u>	<u>\$ 547</u>

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

	June 30, 2003	December 31, 2002
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 67,073	\$ 71,490
Accounts receivable, net of allowances	6,584	7,924
Prepaid expenses and other current assets	5,006	4,406
Total current assets	78,663	83,820
Property and equipment, net	3,453	3,533
Goodwill	662	662
Intangible assets, net	4,195	220
Other assets	1,815	1,564
Total assets	<u>\$ 88,788</u>	<u>\$ 89,799</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,370	\$ 499
Accrued compensation and related benefits	1,910	1,143
Other accrued liabilities	1,364	1,652
Taxes payable	686	1,838
Deferred revenues	2,163	4,496
Billings in excess of recognized revenue	274	606
Other liabilities	1,500	—
Current portion of long-term debt	17	17
Total current liabilities	9,284	10,251
Long-term debt	6	15
Deferred tax liability	753	752
Deferred rent	49	39
Stockholders' equity:		
Common stock	3	3
Additional paid-in-capital	100,641	99,884
Deferred stock-based compensation	(545)	(1,340)
Notes receivable from stockholders	(4,614)	(4,998)
Accumulated deficit	(16,855)	(14,845)
Cumulative other comprehensive income	66	38
Total stockholders' equity	78,696	78,742
Total liabilities and stockholders' equity	<u>\$ 88,788</u>	<u>\$ 89,799</u>

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

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
<b>Revenue:</b>				
Design-to-silicon yield solutions	\$ 8,034	\$ 9,505	\$ 16,142	\$ 17,885
Gain share	2,056	2,731	3,015	5,808
Total revenue	<u>\$ 10,090</u>	<u>\$ 12,236</u>	<u>\$ 19,157</u>	<u>\$ 23,693</u>
<b>Cost and expenses:</b>				
Cost of design-to-silicon yield	3,514	4,110	6,958	7,974
Research and development	4,453	3,964	8,785	7,154
Selling, general and administrative	2,994	2,614	5,697	5,168
Stock-based compensation amortization*	329	770	978	1,558
Total costs and expenses	<u>11,290</u>	<u>11,458</u>	<u>22,418</u>	<u>21,854</u>
Income (loss) from operations	(1,200)	778	(3,261)	1,839
Interest and other income	345	338	720	697
Income (loss) before taxes	(855)	1,116	(2,541)	2,536
Tax (benefit) provision	(179)	551	(531)	1,391
Net income (loss)	<u>\$ (676)</u>	<u>\$ 565</u>	<u>\$ (2,010)</u>	<u>\$ 1,145</u>
<b>Net income (loss) per share:</b>				
Basic	\$ (0.03)	\$ 0.03	\$ (0.09)	\$ 0.05
Diluted	\$ (0.03)	\$ 0.02	\$ (0.09)	\$ 0.05
<b>Weighted average common shares:</b>				
Basic	22,614	21,814	22,551	21,726
Diluted	22,614	22,943	22,551	23,192
<b>* Stock-based compensation amortization:</b>				
Cost of design-to-silicon yield solutions	\$ 86	\$ 223	\$ 216	\$ 486
Research and development	155	366	563	804
Selling, general and administrative	88	181	199	268
	<u>\$ 329</u>	<u>\$ 770</u>	<u>\$ 978</u>	<u>\$ 1,558</u>

**PDF SOLUTIONS, INC.**  
**RECONCILIATION OF REPORTED GAAP NET INCOME (LOSS) TO PRO FORMA NET INCOME (LOSS) (UNAUDITED)**  
(In thousands, except per share data)

	<u>Three Months Ended</u>	
	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>
Net income (loss)	\$ (676)	\$ 565
Stock-based compensation amortization	329	770
Amortization of intangibles, net	82	28
Pro forma net income (loss)	<u>\$ (265)</u>	<u>\$ 1,363</u>
Pro forma net income (loss) per share — diluted	<u>\$ (0.01)</u>	<u>\$ 0.06</u>
Weighted average common shares — diluted	<u>22,614</u>	<u>22,943</u>

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**PDF SOLUTIONS® PROVIDES FINANCIAL  
OUTLOOK FOR  
THE THIRD AND FOURTH QUARTERS OF FISCAL 2005**

SAN JOSE, Calif. — July 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 third and fourth fiscal quarters ending September 30, 2005 and December 31, 2005, respectively.

PDF Solutions expects total revenue in the range of \$18.7 million to \$19.5 million for the third fiscal quarter ending September 30, 2005. Gain share revenue for the third quarter is expected to be in the range of \$2.8 million to \$3.2 million. On a GAAP basis, net income for the third fiscal quarter of 2005 is projected in a range of \$1.5 million to \$2.0 million, or \$0.05 to \$0.07 per diluted share.

For the fourth fiscal quarter ending December 31, 2005, PDF Solutions expects total revenue in the range of \$19.8 million to \$20.8 million. On a GAAP basis, net income for the fourth fiscal quarter of 2005 is projected in a range of \$1.8 million to \$2.5 million, or \$0.07 to \$0.09 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 third fiscal quarter ending September 30, 2005

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is projected in a range of \$2.6 million to \$3.1 million, or \$0.10 to \$0.12 per diluted share. Non-GAAP net income for the fourth fiscal quarter ending December 31, 2005 is projected in a range of \$3.0 million to \$3.7 million, or \$0.11 to \$0.13 per diluted share.

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 second quarter 2005 results and financial outlook for the third and fourth 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](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,

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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](http://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 third and fourth 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 May 10, 2005. 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 TO PROJECTED**  
**NON-GAAP NET INCOME**  
(In thousands, except per share data)

<b>PROJECTED RESULTS</b>	<b>Three Months Ending September 30, 2005</b>		
GAAP net income per share — diluted	<u>\$ 0.05</u>	to	<u>\$ 0.07</u>
GAAP net income	\$ 1,465	to	\$ 1,965
Stock-based compensation amortization	25		25
Amortization of acquired intangible assets, net of taxes	1,150		1,150
Non-GAAP net income	<u>\$ 2,640</u>	to	<u>3,140</u>
Non-GAAP net income per share — diluted.	<u>\$ 0.10</u>	to	<u>0.12</u>
Weighted average common shares — diluted	<u>27,250</u>		<u>27,250</u>

<b>PROJECTED RESULTS</b>	<b>Three Months Ending December 31, 2005</b>		
GAAP net income per share — diluted	<u>\$ 0.07</u>	to	<u>\$ 0.09</u>
GAAP net income	\$ 1,790	to	2,490
Stock-based compensation amortization	20		20
Amortization of acquired intangible assets, net of taxes	1,150		1,150
Non-GAAP net income	<u>\$ 2,960</u>	to	<u>3,660</u>
Non-GAAP net income per share — diluted.	<u>\$ 0.11</u>	to	<u>0.13</u>
Weighted average common shares — diluted	<u>27,500</u>		<u>27,500</u>

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#### 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.