

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) **July 24, 2003**

PDF Solutions, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

000-31311

25-1701361

(State or Other Jurisdiction
of Incorporation)

(Commission File
Number)

(IRS Employer
Identification No.)

333 West San Carlos Street, Suite 700, San Jose, CA

95110

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code **(408) 280-7900**

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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Item 7. Financial Statements and Exhibits.

(c) Exhibits.

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| 99.1 | Press Release dated July 24, 2003 regarding financial results and certain other information related to the second quarter of fiscal 2003 |
| 99.2 | Press Release dated July 24, 2003 regarding the financial outlook for the third quarter of fiscal 2003 |

Item 9. Regulation FD Disclosure.

The following information is furnished pursuant to Item 12, "Results of Operations and Financial Condition."

On July 24, 2003, PDF Solutions, Inc. issued a press release regarding its financial results and certain other information related to the second quarter of fiscal year 2003. Also on July 24, 2003, PDF Solutions, Inc. issued a press release regarding the financial outlook for the third quarter of fiscal 2003. A copy of each of these press releases is attached as Exhibit 99.1 and Exhibit 99.2.

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's 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 has also chosen to provide this information to investors to enable them to perform meaningful comparisons of its 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 intangibles, net of taxes.

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 24, 2003

EXHIBIT INDEX

Number	Exhibit
99.1	Press Release dated July 24, 2003 regarding financial results and certain other information related to the second quarter of fiscal 2003
99.2	Press Release dated July 24, 2003 regarding the financial outlook for the third quarter of fiscal 2003

Investor Relations Contact:
Rochelle Krause
PDF Solutions, Inc.
Tel: (408) 938-6437
Email: rochelle.krause@pdf.com

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

**PDF Solutions® Reports Second Quarter 2003
Financial Results**

SAN JOSE, Calif.—July 24, 2003—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, 2003.

Revenue for the second fiscal quarter of 2003 totaled \$10.1 million, a decrease of 18% compared with revenue of \$12.2 million for the second fiscal quarter of 2002. Pro forma net loss for the second fiscal quarter of 2003, excluding amortization of stock-based compensation and intangibles, totaled \$265,000, or \$0.01 per diluted share, compared with pro forma net income of \$1.4 million, or \$0.06 per diluted share, for the second fiscal quarter of 2002. Reported net loss for the second fiscal quarter of 2003 totaled \$676,000, or \$0.03 per diluted share, compared with a reported net income of \$565,000, or \$0.02 per diluted share, for the second fiscal quarter of 2002.

“Financial results for the quarter were in the range of prior revenue and pro forma earnings per share guidance,” said John Kibarian, PDF’s President and Chief Executive Officer. “In addition, we see accelerated customer interest in our solutions earlier in both process- and design-development cycles. This highlights that process-design interactions are becoming critical issues as the industry continues to move toward nanometer processes.”

As previously announced, the company will hold a live conference call beginning at 3:00 p.m. PDT/6:00 p.m. EDT today to discuss the quarterly results. A live

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webcast of this teleconference will be available on the company's 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 the company's 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.

About PDF Solutions

PDF Solutions, Inc. (Nasdaq: PDFS) is the leading provider of process-design integration technologies for manufacturing integrated circuits (ICs). PDF's 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

Some of the statements in this press release are forward looking, including the statements regarding the level of customer interest in PDF's solutions. The words "estimate", "project", "expect", "believe" and similar expressions also identify forward-looking statements. Actual results could differ materially from those expressed in any forward-looking statements. Risks and uncertainties that could cause results to differ materially include risks associated with: any unforeseen industry changes; changes in general market conditions, 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's products and services. Readers should also refer to the risk disclosures set forth in PDF's Report on Form 10-K filed with the SEC on March 26, 2003 and Report on Form 10-Q filed with the SEC on May 14, 2003. The forward-looking statements contained in this release are made as of the date hereof, and PDF 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.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands)

	<u>June 30,</u> 2003	<u>December 31,</u> 2002
ASSETS		
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
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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
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Total assets	\$ 88,788	\$ 89,799
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
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
	<hr/>	<hr/>
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
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Total stockholders' equity	78,696	78,742
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Total liabilities and stockholders' equity	\$ 88,788	\$ 89,799
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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
Revenue:				
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	\$10,090	\$12,236	\$19,157	\$23,693
Cost and expenses:				
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	11,290	11,458	22,418	21,854
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)	\$ (676)	\$ 565	\$ (2,010)	\$ 1,145
Net income (loss) per share:				
Basic	\$ (0.03)	\$ 0.03	\$ (0.09)	\$.05
Diluted	\$ (0.03)	\$ 0.02	\$ (0.09)	\$ 0.05
Weighted average common shares:				
Basic	22,614	21,814	22,551	21,726
Diluted	22,614	22,943	22,551	23,192
* Stock-based compensation amortization:				
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
	\$ 329	\$ 770	\$ 978	\$ 1,558

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

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

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Investor Relations Contact:
Rochelle Krause
PDF Solutions, Inc.
Tel: (408) 938-6437
Email: rochelle.krause@pdf.com

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

**PDF Solutions® Provides Financial Outlook For
The Third Fiscal Quarter of 2003**

SAN JOSE, Calif.—July 24, 2003—PDF Solutions, Inc. (Nasdaq: PDFS), the leading provider of process-design integration technologies to enhance IC manufacturability, today provided its financial outlook for the third fiscal quarter ending September 30, 2003.

PDF Solutions expects total revenue in the range of \$10.8 million to \$11.3 million for the third fiscal quarter ending September 30, 2003. Pro forma net income (loss) for the third fiscal quarter of 2003, excluding amortization of stock-based compensation and intangibles, is projected in the range of (\$165,000) to \$165,000 or (\$0.01) to \$0.01 per diluted share.

Reported net loss, on a GAAP basis, is projected in the range of \$165,000 to \$495,000, or \$0.01 to \$0.02 per diluted share.

As previously announced, the company will hold a live conference call beginning at 3:00 p.m. PDT/6:00 p.m. EDT today to discuss these quarterly results. A live webcast of this teleconference will be available on the company's 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 the company's 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.

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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's 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

Some of the statements in this press release are forward looking, including the statements regarding PDF's 2003 Third Fiscal Quarter Outlook, the expected growth in revenue, the pro forma net loss and pro forma net loss per share and the reported net loss and net loss per share. The words "estimate", "project", "expect", "believe" and similar expressions also identify forward-looking statements. Actual results could differ materially from those expressed in any 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's products and services. Readers should also refer to the risk disclosures set forth in PDF's Report on Form 10-K filed with the SEC on March 26, 2003 and Report on Form 10-Q filed with the SEC on May 14, 2003. The forward-looking statements contained in this release are made as of the date hereof, and PDF 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 REPORTED GAAP NET LOSS TO
PROJECTED PRO FORMA NET LOSS
(In thousands, except per share data)

PROJECTED RESULTS	Three Months Ending September 30, 2003		
Net loss per share - diluted	\$ (0.02)	to	\$ (0.01)
Net loss	\$ (495)	to	\$ (165)
Stock-based compensation amortization	250		250
Amortization of intangibles, net	80		80
Pro forma net loss	\$ (165)	to	\$ 165
Pro forma net loss per share - diluted	\$ (0.01)	to	\$ 0.01
Weighted average common shares - diluted	23,000		24,500

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