UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(AMENDMENT NO. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): October 31, 2006

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)

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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 1.01 Entry into a Material Definitive Agreement.

This Current Report on Form 8-K/A is being filed as an amendment No. 1 to the Current Report on Form 8-K filed by PDF Solutions, Inc. (the "Company") on November 3, 2006 (the "initial 8-K"). The initial 8-K was filed under items 1.01, 2.01, and 3.02 to report the completion of the acquisition of all the capital stock of Si Automation S.A. ("SIA"), a privately held Fault Detection and Classification software and services provider, based in Montpellier, France. This amendment is a supplement to the initial 8-K and includes financial statements and pro forma financial information permitted pursuant to Item 9.01 of Form 8-K to be excluded from the initial 8-K and filed by amendment to the Initial Form 8-K.

On October 25, 2006, the Registrant entered into a definitive agreement to acquire all of the outstanding capital stock of SIA, a privately held Fault Detection and Classification software and services provider, based in Montpellier, France, pursuant to the terms of a Stock Purchase Agreement (the "Purchase Agreement") among the Registrant, the Selling Stockholders of SIA, and Société Générale Asset Management Alternative Investments ("SGAM"), as the Stockholders' Representative. The acquisition was completed on October 31, 2006. As a result of the closing, SIA has become a wholly owned subsidiary of PDF Solutions, Inc. ("PDF").

Under terms of the Purchase Agreement, PDF acquired SIA for approximately $25.5 million in cash and 699,298 shares of PDF common stock, resulting in aggregate consideration of approximately $36.5 million and net consideration of approximately $29.6 million, after deducting expected net cash-on-hand at SIA. A portion of the aggregate consideration will be retained in escrow for a specified period of time pursuant to the Purchase Agreement.

This description of the transaction is not complete and is qualified in its entirety by reference to the Purchase Agreement, which is filed as Exhibit 2.01 to this report and incorporated by reference into this Item 1.01. Terms not defined herein shall have the meanings ascribed thereto in the Purchase Agreement.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On October 31, 2006, the Registrant completed the acquisition of the capital stock of SIA as contemplated by the Purchase Agreement. Please see the disclosures regarding the Purchase Agreement and the transactions contemplated thereby described in Item 1.01 above, which is hereby incorporated into this Item 2.01 by reference.

ITEM 9.01: FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of Business Acquired

Audited financial statements of SIA for the year ended December 31, 2005 and for the nine months ended September 30, 2006 as required by this Item 9.01 (a) are attached as Exhibit 99.2 hereto and incorporated into this Item 9.01(a) by reference.

(b) Pro Forma Financial Information

Unaudited Combined Condensed Pro Forma Financial Statements of PDF and SIA as required by this Item 9.01(b) are attached as Exhibit 99.3 hereto and incorporated into this Item 9.01(b) by reference.

(c) Exhibits

Exhibit No.	Description
2.01	Stock Purchase Agreement dated October 25, 2006 by and among PDF Solutions, Inc., the Selling Stockholders of Si Automation S.A. and Société Générale Asset Management Alternative Investments, as the Stockholders' Representative (1) *
23.1	Consent of KPMG SA
99.1	Press release dated October 31, 2006 regarding the Registrant's completion of its acquisition of Si Automation S.A. (1) *
99.2	Audited financial statements of Si Automation S.A. for the twelve months ended December 31, 2005 and the nine months ended September 30, 2006
99.3	The unaudited pro forma combined condensed balance sheet of PDF Solutions Inc. and Si Automation S. A. as of September 30, 2006. The unaudited pro forma combined condensed statements of operations of PDF Solutions Inc. and Si Automation S.A. for the twelve months ended December 31, 2005 and the nine months ended September 30, 2006.

(1) All schedules and attachments to this Exhibit have been omitted in accordance with Item 601(b) of Regulation S-K. The Registrant agrees to furnish supplementally a copy of all omitted schedules and exhibits to the Securities and Exchange Commission upon its request.

* Previously filed as an exhibit the current report on form 8-K filed on November 3, 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.

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

Dated: January 16, 2007

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-102509, 333-66758 and 333-133332 of PDF Solutions, Inc., on Form S-8 of our report dated January 15, 2007, with respect to the consolidated financial statements of Si Automation S.A. for the nine months period ended September 30, 2006 and the year ended December 31, 2005, which report appears in this current report on Form 8-K/A of PDF Solutions, Inc.

/s/ KPMG SA

Paris, France
January 16, 2007

Exhibit 99.2

SI AUTOMATION

Consolidated Financial Statements
Ended September 30, 2006 and December 31, 2005

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Independent Auditors' Report

The Board of Directors and Stockholders

SI Automation, S.A.

We have audited the accompanying consolidated balance sheet of SI Automation S.A ("the Company") as of September 30, 2006 and as of December 31, 2005, and the related consolidated statements of operations and cash flows for the nine month period and the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SI Automation S.A. and subsidiaries as of September 30, 2006 and December 31, 2005 and the results of their operations and their cash flows for the nine month period and the year then ended, in conformity with generally accepted accounting principles in France.

Accounting principles generally accepted in France vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in Note 24 to the consolidated financial statements.

/s/ KPMG S.A.

Paris La Défense, France

January 15, 2007

Consolidated Balance Sheets

	September 30, 2006	December 31, 2005
Assets		
Fixed Assets:		
Intangible Assets (Note 3)	€ 684 546	692 572
Tangible Assets (Note 3)	60 234	43 024
Deposits (Note 3)	43 175	40 866
Total Fixed Assets	787 955	776 462
Other Assets:		
Accounts Receivable, Net of allowances (Note 5)	2 172 934	4 976 618
Inventories, Net of inventory reserves (Note 4)	23 926	308 515
Other Receivables (Note 6)	1 630 932	1 130 759
Prepaid Expense	88 744	73 890
Marketable Securities (Note 8)	242 981	433 218
Cash and Cash Equivalents (Note 9)	5 064 881	3 068 134
Total Other Assets	9 224 398	9 991 134
Total Assets	€10 012 353	10 767 596
Stockholders' Equity and Liabilities		
Stockholders' Equity (Note 10):		
Share Capital	€ 1 885 906	1 885 906
Additional Paid-In Capital	5 062 704	5 684 357
Opening Retained Earnings	726 084	(1 644 972)
Foreign Currency Translation Adjustment	1 612	(8 656)
Net Profit	(858 958)	1 744 879
Total Stockholders' Equity	6 817 348	7 661 514
Provisions for Contingencies & Charges (Note 11)	112 955	197 504
Interest-Free Loans (Note 12)	550 000	430 000
Financial Debt (Note 13)	409 420	401 529
Accounts Payable and Accrued Expenses (Note 14)	1 125 174	595 704
Deferred Revenue	113 697	78 243
Other Liabilities (Note 15)	883 759	1 403 102
Total Liabilities	3 195 005	3 106 082
Total Stockholders' Equity and Liabilities	€10 012 353	10 767 596

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

	Nine-month period ended September 30, 2006	Twelve-month period ended December 31, 2005
Revenues	5 458 794	9 917 392
Other Operating Income	458 285	622 436
Total	5 917 079	10 539 828
Purchase of Merchandise	126 093	536 159
Other External Costs	2 909 596	2 805 329
Personnel and Social Charges (Note 18)	3 270 141	4 110 691
Taxes Other Than Income Tax	200 945	232 280
Depreciation and Amortization	244 683	178 899
Inventory Reserve Allowance	221 536	340 225
Provisions for Contingencies and Charges	17 066	87 089
Total	6 990 060	8 290 672
Operating Income (Loss)	(1 072 981)	2 249 156
Financial Income	70 734	257 321
Financial Expense	286 586	6 518
Net Financial Income (Loss) (Note 20)	(215 852)	250 803
Extraordinary Income / Loss	1 837	52 787
Income (Loss) Before Tax	(1 286 996)	2 552 746
Income Tax Expense (Credit) (Note 7)	(428 038)	807 867
Net Income (Loss)	(858 958)	1 744 879
Net earnings (loss) per share	(0,456)	0,930
Net diluted Earnings per share	(0,456)	0,930

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

		Nine-month period ended September 30, 2006	Twelve-month period ended December 31, 2005
Cash flow – operating activities:			
Net Income (loss)	€	(858 958)	1 744 879
Adjustments to reconcile Net loss to Net cash provided by operating activities:			
Depreciation of fixed assets		244 683	178 899
Changes in provisions		(9 549)	(91 372)
Income from disposals of other assets		0	(175 458)
Deferred tax expense (credit)		(376 208)	849 564
Changes in working capital:			
Inventories		284 589	192 717
Accounts receivable		2 803 684	(2 329 328)
Other receivables		(198 965)	371 809
Prepaid expenses		(14 854)	(14 144)
Accounts payable		529 470	148 227
Other liabilities		(519 343)	134 646
Deferred revenue		35 454	78 243
Net cash provided by operating activities		1 920 003	1 088 682
Cash flow – investing activities:			
Capital expenditures – intangible assets		(216 704)	(741 663)
Capital expenditures –tangible assets		(37 546)	(26 644)
Capital expenditures – financial assets		(2 720)	(42 036)
Proceeds from disposals of investments		0	25 253
Net cash used for investing activities		(256 970)	(785 090)
Cash flow – financing activities:			
Exercise of warrants		0	30 400
Decrease of marketable securities		190 237	552 411
Increase in financial debt		127 891	580 000
Payment on financial debt		0	(243 252)
Net cash provided by financing activities		318 128	919 559
Foreign currency translation adjustment		15 586	14 687
Change in Cash and cash equivalents	€	1 996 747	1 237 838
Cash and cash equivalents			
Beginning	€	3 068 134	1 830 296
Ending	€	5 064 881	3 068 134

See accompanying notes to consolidated financial statements

Notes to the consolidated financial statements

1) Organization and Nature of Business and Significant Events of the Period

S.I. AUTOMATION is a French *Société Anonyme* with a Board of Directors subject to the provisions of the French Code of Commercial Law and to the Decree n°67-236 dated June 23, 1967 regarding commercial companies.

The company provides a set of services and appropriate Materials and Software to optimize manufacturing control and equipment communication mainly for the semiconductor industry. These financial statements have been prepared in the context of the acquisition of SI AUTOMATION and subsidiaries (individually or collectively referred to as the "Company").

2) Summary of Significant Accounting Policies and Practices

(a) Principles of Consolidation and Consolidation Scope

The consolidated financial statements of SI AUTOMATION as of and for the 9-month period ended September 30, 2006 and as of and for the year ended December 31, 2005 have been prepared in accordance with generally accepted accounting principles in France, including Rule 99-02 of the French Accounting Standards Board (CRC).

Each subsidiary, in which the company holds voting rights of more than 50% has been fully consolidated.

COMPANIES	LOCATION	Control %	Method
SI AUTOMATION	MONTPELLIER	N/A	Parent Company
SIA INCORPORATION	SAN FRANCISCO	100%	Fully Consolidated

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

(c) Translation of Foreign Subsidiaries' Financial Statements

The balance sheet, statements of operations and cash flows of SI AUTOMATION Inc. whose functional currency is the US dollar, are translated into the reporting currency of SI AUTOMATION S.A (Euro) at the applicable exchange rate (i.e., the closing period-end rate for balance sheet, and the average annual rate for statement of operations and cash flow statement). Resulting translation gains and losses are recorded in foreign currency translation adjustment in stockholders' equity.

(d) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are valued at their acquisition cost. Depreciation is computed using the straight line method based on the estimated useful lives of the related assets.

Estimated useful lives used are as follows:

	Estimated useful lives
Intangible Fixed Assets	
Patents	5 years
Software	1 year
Tangible Fixed Assets	
Transportation equipment	5 years
Fixtures, fittings and improvements of buildings	3 to 10 years
Office equipment	2 to 3 years
Furniture	3 to 10 years

(e) Inventories

Materials and goods have been recorded at purchase cost.

Inventories and works in progress are recorded at their production cost.

(f) Accounts Receivable

Accounts receivables are recorded at their carrying value. A provision is recorded when the recoverability is not probable.

(g) Marketable Securities

Marketable securities are stated at their historical cost. If, at closing date, market value is lower than historical cost, a depreciation corresponding to the difference is booked. In the case of quoted securities, the market value corresponds to the quoted market price as of the balance sheet date.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash balances and short-term highly liquid investments with original maturities of three months or less at the time of purchase and are stated at cost.

(i) Provisions for Contingencies and Charges

Contingencies and charges arising from claims, litigations, fines, etc. are provided for when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

(j) Revenues

- o Revenue from sales of software licences is fully recognized at delivery of software license.
- o Composite contracts include other elements than sole software license such as maintenance, installation and training. Revenue allocated to those elements is recognized as the services are performed.
- o Sales of software licenses to distributors are recognized on a sell-through basis, when the software license is delivered by the distributor to the end-user.
- o Revenue linked to hardware and software leasing arrangements is recognized over the term of the contract on a straight line basis.

(k) Research & Development Costs

In the past, the company used to capitalize research & development costs with a depreciation over a 5 years period.

Since 2003 research & development costs are no longer capitalized. It has been assumed that the technical feasibility of the projects was only reached at the very end of the development, therefore the amount to be capitalized is considered as not significant. Former research & development capitalized costs corresponding to cancelled projects have been written-off.

(l) Employee benefits

Employee benefits consist only in retirement indemnities paid to employees, in accordance with French Law, on the basis of the length of service. The benefit is a lump sum paid at retirement and expressed as a multiple of the monthly salary.

Main assumptions used in the determination of such benefits are described below:

- Prospective method based on legal compensation obligation for the employer;
- Salary growth rate by 1%;
- Turnover : 1% to 2% depending on staff category;
- Employee leave age : 65 years;
- Discount rate : 2,5%;
- Mortality table : French national analysis statistical institute (INSEE) mortality table.

(m) Income Tax, Current and Deferred

Deferred taxes are recorded in the statement of operations and the balance sheet according to the liability method of tax allocation to account for temporary differences between the book value and taxable value of certain assets and liabilities.

Tax assets resulting from loss carry-forwards are recognized if it is more likely than not that they will be recovered within a foreseeable future.

(n) Stock-based Awards

The company issued pre-emptive subscription rights (“BSA”) and warrants (“BSPCE”)

According to French rules:

- The amount received by the company upon issuance of the pre-emptive subscription rights (“BSA”) is accounted for in net equity ;
- No entry is recorded in the accounts as long as the pre-emptive subscription rights (“BSA”) or the warrants (“BSPCE”) have not been exercised.

(o) Extraordinary items

Extraordinary items may :

- Either be ordinary items with abnormal amount and incidence;
- Or items with the following characteristics :
- Non-recurring;
- Unusual compared with the economic activity of the concern;

(p) Differences in exchange

At period-end foreign currencies assets and liabilities are converted to closing exchange rate. Resulting gains or losses are recorded in the consolidated statement of operations.

(q) Earning per share

Earnings per share corresponds to the net profit or loss divided by the weighted-average number of shares existing during the financial period (see note 10).

Diluted earnings per share is the division of the net profit or loss by the sum of the weighted-average number of shares outstanding and maximal number of shares that may be issued by exercise of stock-options (see section related to stock-options).

Period-end	Weighted average number of shares	Number of outstanding stock options	Conversion parity	Total potential shares
December 31, 2005	1 883 006	1 000	1 to 1	1 884 006
September 30, 2006	1 885 906	1 000	1 to 1	1 886 906
Average	1 884 456			1 885 756

3) Fixed Assets

Tangible and intangible fixed assets are as follows at September 30, 2006 and December 31, 2005:

September 30, 2006 (€'000s)	Gross value	Depreciation and Amortization	Net book value
Intangible Fixed Assets			
RD&E costs	2 453	2 453	0
Licence, Patents & Software	716	331	385
Goodwill	300	0	300
Other	3	3	0
Total Intangible Fixed Assets	**3 472**	**2 787**	**685**
Tangible fixed assets			
Building improvements	38	11	27
Computer & office equipment	126	93	33
Total Tangible Fixed Assets	**164**	**104**	**60**

Depreciation expense for the 9-month period ended September 30, 2006 was € 244 683.

December 31, 2005 (€'000s)	Gross value	Depreciation and Amortization	Net book value
Intangible Fixed Assets			
RD&E costs	2 453	2 453	—
Licence, patents & software	501	108	393
Goodwill	300	—	300
Other	3	3	—
Total Intangible Fixed Assets	**3 257**	**2 564**	**693**
Tangible fixed assets			
Building improvements	14	9	5
Computer & office equipment	114	77	37
Total Tangible Fixed Assets	**128**	**86**	**42**

Depreciation expense for the year ended December 31, 2005 was € 178 899.

Movements on fixed assets were as follows:

30 September, 2006 (€)	At December 31, 2005	Capital addition	Disposal	At Sept. 30, 2006
RD&E Expenditures	2 453 114	0	0	2 453 114
Licenses, patents and software	500 898	216 704	1 750	715 852
Other intangibles	303 049	0	0	303 049
Intangible assets	3 257 061	216 704	1 750	3 472 015

	At December 31, 2005	Capital addition	Disposal	At Sept. 30, 2006
Building improvements	14 327	25 547	2 455	37 419
Computer and office equipment	114 327	11 999	0	126 326
Tangible assets	128 654	37 546	2 455	163 745

	At December 31, 2005	Capital addition	Disposal	At Sept. 30, 2006
Deposits	40 866	2 720	411	43 175
GRAND-TOTAL	3 426 581	256 970	4 233	3 678 935

31 December 2005 (€)	At January 1, 2005	Capital addition	Disposal	At December 31, 2005
Start-up Costs	4 544	0	4 544	0
RD&E Expenditures	3 537 633	0	1 084 519	2 453 114
Licenses, patents and software	513 245	441 663	454 010	500 898
Other intangibles	3 049	300 000	0	303 049
Intangible assets	4 058 471	741 663	1 543 073	3 257 061
Building improvements	26 032	0	11 705	14 327
Computer and office equipment	102 707	26 644	15 024	114 327
Tangible assets	128 739	26 644	26 729	128 654
Deposits	20 090	42 036	21 260	40 866
GRAND-TOTAL	4 207 300	810 343	1 591 062	3 426 581

Main disposals in 2005 relate to:

- Research & development costs, amounting to K€. 1 085, capitalized in the past, and linked notably to silver box development project, that has been abandoned ;
- The termination during 2005 of a K€. 450 GPC license concession agreement concluded in August 2001 and almost totally depreciated.

Capital addition for 'other intangibles' amounting to K€.300 relates to the purchase, in June 2005, of an activity and related customer relationship which is expected to generate earnings in the future.

Changes in accumulated depreciation were as follows:

September 30, 2006 (€)	At December 31, 2005	Depreciation expense	Disposal	At Sept. 30, 2006
RD&E Expenditures	2 453 114	0	0	2 453 114
Licenses, patents and software	108 326	224 730	1 750	331 306
Other intangibles	3 049	0	0	3 049
Intangible assets	2 564 489	224 730	1 750	2 787 469

	At December 31, 2005	Depreciation expense	Disposal	At Sept. 30, 2006
Building improvements	8 914	4 060	2 072	10 902
Computer and office equipment	76 716	15 893	0	92 609
Tangible assets	85 630	19 953	2 072	103 511
GRAND TOTAL	2 650 119	244 683	3 822	2 890 980

December 31, 2005	At January 1, 2005	Depreciation Expense	Disposal	Other	At December 31, 2005
Start-up Costs	4 544	0	4 544	0	0
RD&E Expenditures	3 537 633	0	1 084 519	0	2 453 114
Licenses, patents and software	357 074	150 012	398 760	0	108 326
Other intangibles	3 049	0	0	0	3 049
Intangible assets	3 902 300	150 012	1 487 823	0	2 564 489
Building improvements	7 109	8 688	6 883	0	8 914
Computer and office equipment	64 071	20 199	9 104	1 550	76 716
Tangible assets	71 180	28 887	15 987	1 550	85 630
GRAND TOTAL	3 973 480	178 899	1 503 810	1 550	2 650 119

4) Inventories

Inventories are as follows at September 30, 2006 and December 31, 2005:

September 30, 2006 (€'000s)	Gross Value	Inventory reserve	Net Value
Raw materials, consumables	232	232	0
Work in progress — Services	24	0	24
Finished goods inventory	330	330	0
TOTAL	**586**	**562**	**24**

December 31, 2005 (€'000s)	Gross Value	Inventory reserve	Net Value
Raw materials, consumables	229	57	172
Work in progress – Services	49	0	49
Finished goods inventory	370	283	87
TOTAL	**648**	**340**	**308**

5) Accounts Receivable

Accounts receivable are as follows at September 30, 2006 and December 31, 2005:

(€'000s)	Sept. 30, 2006	December 31, 2005
Billed accounts receivable	1 758	1 553
Unbilled accounts receivable	445	3 455
Allowance for doubtful accounts	(31)	(31)
	2 172	4 977

As at 31 December 2005, unbilled accounts receivable mainly consist in the remaining balance of the invoice linked to the sale of the Maestria Corporate License (to ST Microelectronics) amounting to K€. 2,864, as well as related maintenance covering the 2nd half of 2005, amounting to K€. 301. These two items have been invoiced in the course of January 2006.

6) Other Receivables

Other receivables were as follows at Sept. 30, 2006 and December 31, 2005:

(€'000s)	September 30, 2006	December 31, 2005
Deferred tax	864	488
Advances to suppliers	105	21
Sundry debtors	662	622
	1 631	1 131

Sundry debtors were as follows at September 30, 2006 and December 31, 2005:

(€'000s)	September 30, 2006	December 31, 2005
Income tax credit	150	98
VAT debtor	286	50
Other advances to suppliers	0	185
Other Income to receive	226	289
Total sundry debtors	662	622

In France, companies can benefit from a tax credit based on the research and development costs. SI AUTOMATION has applied for such credits. The tax credit can be deducted from income tax liability for a period of three years, or be reimbursed by the Tax Authorities if not utilized after the three-year period. As of September 30, 2006, the R&D tax credit to be received, amounting to K€.144, is for year 2004 (K€.47) , 2005 (K€.42), and 2006 (K€.55).

7) Income Taxes

The income tax expense (credit) consists of the following:

(€'000s)	Nine months September 30, 2006	Year ended December 31, 2005
Current income tax	(52)	(41)
Deferred income tax	(376)	849
Total	(428)	808

(€'000s)	September 30, 2006	December 31, 2005
Tax losses carried forward	930	582
Other temporary differences	(66)	(94)
Net deferred tax asset	864	488

The Company believes it is more likely than not that the results of future operations will generate sufficient taxable income to allow the utilization of deferred tax assets in the short term.

As at September 30, 2006, the Company had €.2.790.733 of accumulated net operating loss carry forwards that are available to offset future taxable income which can be carried forward indefinitely.

Income tax expense for the nine-month period ended September 30, 2006 and the year ended December 31, 2005 differed from the amounts computed by applying the statutory income tax rate in France of 33.33% to the pre-tax income, as a result of the following:

In France, companies can benefit from tax credit based on the research and development costs of the year (Note 6).

(€'000s)	Sept. 30, 2006	December 31, 2005
Earnings before income tax:	(1 287)	2 553
Expected tax expense (benefit) at French statutory tax rate	(429)	864
Research & development tax credit	0	(42)
Permanent Differences	1	6
Effect of change in tax rate	0	9
Other	0	(29)
Income tax expense (profit)	(428)	808

8) Marketable Securities

Marketable securities consist of shares in mutual funds. Their historical value as at September 30, 2006 , and December 31, 2005 amounts to K€.243 and K€ 433, respectively. Fair value of marketable securities amounts to K€.252 and K€. 459 respectively.

9) Cash & Cash Equivalents

Cash & Cash Equivalents as at September 30, 2006 are composed of a K€.3 705 SIA France and a K€.100 SIA Inc. bank balances and short term marketable securities held by SIA France for an historical value of K€.1 260 considered as cash equivalents.

Cash & Cash Equivalents as at December 31, 2005 are composed of a K€. 622 SIA France and a K€. 55 SIA Inc. bank balances and short term marketable securities held by SIA France for an historical value of K€.2 391 considered as cash equivalents.

10) Stockholders' Equity

Changes in stockholders' equity over the 9-month period ended September 30, 2006 and the year ended December 31, 2005 are as follows:

	Common Stock		Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Total Stockholders' Equity
	Shares	€	€	€	€	€
Balance at December 31, 2004	**1 875 906**	**1 875 906**	**5 663 957**	**(1 634 170)**	**13 149**	**5 918 842**
Exercise of warrants	10 000	10 000	20 400			30 400
Impact of foreign exchange					(21 805)	(21 805)
Impact of consolidation re-statements				(10 802)		(10 802)
Net loss/profit				1 744 879		1 744 879
Balance at December 31, 2005	**1 885 906**	**1 885 906**	**5 684 357**	**99 907**	**(8 656)**	**7 661 514**
Additional paid-in capital changes (*)			(621 653)	621 653		0
Impact of foreign exchange					10 268	10 268
Impact of consolidation re-statements				4 524		4 524
Net loss/profit				(858 958)		(858 958)
Balance at Sept. 30, 2006	1 885 906	1 885 906	5 062 704	(132 874)	1 612	6 817 348

(*) Following a decision from shareholders dated 24 March 2006, an amount of €. 621 653 from the caption "Additional Paid-in Capital" has been reclassified under the "Retained earnings" caption.

General

The company was incorporated in 1987. Additional shares were issued for cash in subsequent financing rounds and through exercise of warrants. At September 30, 2006 and December 31, 2005, the issued and outstanding shares consisted of 1,885,906 ordinary shares with a par value of €.1.

Pre-emptive subscription rights

Stockholders and certain directors have pre-emptive rights to subscribe for additional shares issued by the company for cash on a *pro rata* basis. Stockholders may waive such pre-emptive subscription rights at an extraordinary general meeting of stockholders under certain circumstances. Pre-emptive subscription rights, if not previously waived, are transferable during the subscription period relating to a particular offer of shares.

Warrants

The stockholders of SIAUTOMATION authorized the board of directors to grant warrants (*Bons de souscription d'actions or BSA*) to employees and members of the board of the French parent company. Each BSA enables the holders to subscribe one share of SIA.

September 30, 2006	**BSA 03 n°1**
General assembly	03/19/2003
Issue price	0,01 €
Strike price	4,35 €
Maturity date	03/18/2008
Condition	None
Total number of options granted	1 000
Outstanding options at December 31, 2005	**1 000**
Exercised options through the period	0
Void or cancelled options through the period	0
Outstanding options at Sept. 30, 2006	**1 000**
Outstanding exercisable options at Sept. 30, 2006	**1 000**

December 31, 2005	BSA	BSPCE 2	BSA 03 n°1	Total
Date of the extraordinary general meeting	04/14/2000	03/28/2001	03/19/2003	
Total number of options granted	10 000	69 600	1 000	80 600
End of contract life	03/31/2005	03/28/2006	03/18/2008	
Issue price	€ 0.01	—	€ 0.01	
Exercise price	€ 3.04	€ 22.71	€ 4.35	
Conditions	None	None	None	
Void or cancelled options before December 31, 2004	—	-68 800	0	-68 800
Exercised options before December 31, 2004	—	—	—	—
Outstanding options at December 31, 2004	**10 000**	**800**	**1 000**	**11 800**
Void or cancelled options through the period	—	-200	—	-200
Exercised options through the period	-10 000	—	—	-10 000
Outstanding options at December 31, 2005	**—**	**600**	**1 000**	**1 600**
Outstanding exercisable options at December 31, 2005	**—**	**600**	**1 000**	**1 600**

11) Provisions for Contingencies and Charges

Provisions for contingencies and charges amount to €.112.955 as at September 30, 2006 and €.197 504 as at December 31, 2005 and pertain to the following:

(€' 000s)	September 30, 2006	December 31, 2005
Provision for guarantee commitments	64	87
Provisions for litigations	5	75
Provision for pension indemnities	44	36
Total	113	198

The provision for guarantee is linked to the twelve months period related to hardware and six months period related to software, resulting from commercial terms included in most contracts. Changes in provisions and reserves are as follows:

	At December 31, 2005	Additions	Utilizations and reclass	At Sept. 30, 2006
Inventory reserve	340 225	221 537	0	561 762

	At December 31, 2005	Additions	Utilizations	At Sept. 30, 2006
Bad debt reserve	30 572	0	0	30 572

	At December 31, 2005	Additions	Utilizations and reclass	At Sept. 30, 2006
Provision for guarantee and litigation (*)	162 089	8 886	101 919	69 056
Provision for retirement indemnities	35 415	8 484	0	43 899
Provisions	197 504	17 370	101 919	112 955

(*) Of which €.75000 has been reclassified under the caption "Other Receivables"

12) Interest-Free Loans

Are classified in this caption advances received from a governmental agency (ANVAR) to contribute to the financing of research and development expenses linked to the Maestria software. According to the legal agreement, reimbursement will start in 2007.

13) Financial Debt

Financial debt is composed of a loan granted by BDPME in October 2005, as part of a research & development project. The first redemption date is scheduled in the end of 2006. Variable interest rate is indexed to Euribor 3 months plus a margin of 1.6 pts. Financial debt as September 30, 2006 amounts to K€.405 and interest not yet due have been accrued for K€.5.

14) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses amount to €.1.125.173 as at September 30, 2006 and are broken down as follows:

(€'000s)	Sept. 30, 2006	December 31, 2005
Trade accounts payable	471	373
Trade accruals	654	222
Total	1 125	595

15) Other Liabilities

Other liabilities amount to €.883.759 as at September 30, 2006 and €. 1 403 102 as at December 31, 2005 and can be broken down as follows:

(€'000s)	Sept. 30, 2006	December 31, 2005
Employee and tax related payable	846	1 291
Other	38	112
Total	884	1 403

Employee related payable include amounts due to employees (accrued vacation and bonuses) and payroll charge accrual.

16) Assets and Liability Maturity Date

The breakdown by maturity is as follows:

(€'000s)	Balance at September 30, 2006	Maturity: Less than 1 year	Maturity: 1 to 5 years	Maturity: More than 5 years
Deposits	43	0	43	0
Inventories	24	24	0	0
Accounts receivable	2 172	2 172	0	0
Other receivable	1 631	1 631	0	0
Prepaid expense	89	89	0	0
Total	3 959	3 916	43	0
Financial debt	409	9	360	40
Interest Free Loans	550	0	550	0
Account payable	1 125	1 125	0	0
Other liabilities	884	884	0	0
Deferred revenue	114	114	0	0
Total	3 082	2 132	910	40

(€'000s)	Balance at December 31, 2005	Maturity: Less than 1 year	Maturity: 1 to 5 years	Maturity: More than 5 years
Deposits	41	0	41	0
Inventories	309	309	0	0
Accounts receivables	4 976	4 976	0	0
Other receivable	1 130	1 130	0	0
Prepaid expense	74	74	0	0
Total	6 530	6 489	41	0
Financial debt	402	2	260	140
Account payable	596	596	0	0
Other liabilities	1 403	1 403	0	0
Deferred revenue	78	78	0	0
Total	2 479	2 079	260	140

17) Commitments

The Company does not lease any significant facility or equipment under operating or capital lease.

18) Personnel and Social Charges

Personnel and social charges amount to €.2.289.753 and €.980.388, respectively, for the 9-month period ended September 30, 2006.

Personnel and social charges amount to €.2.859.608 and €.1.251.083, respectively, for the year ended December 31, 2005.

Average headcount is as follows:

	Headcount (9 months) 2006	Headcount (12 months) 2005
Company Managers and Engineers	50	41
Technical Staff	10	7
Other staff	0	0
Total	60	48

19) Research and Development Costs

Research and development costs incurred by the Company for the 9-month period ended September 30, 2006 were K€.994.

Research and development costs incurred by the Company for the year ended December 31, 2005 were €.884.873.

20) Financial Income/Expense

Financial expense mainly consists of exchange losses in the amount of K€.287 as at September 30, 2006 and €.195 941 as at December 2005, 31.

21) Segment Information

Revenues by country are as follows for the 9-month period ended September 30, 2006 and the year ended December 31, 2005:

(€'000s)	2006 (9 months)	2005 (12 months)
France	911	2 281
Other countries	4 548	7 636
Total	5 459	9 917

22) Tax verification

The tax administration has verified the company's income tax returns for the past three years. At the moment, the impact on the financial statements amounts to 4 K€ and is not material.

23) Subsequent events

PDF Solutions, Inc. (PDFS) has completed the acquisition of SI Automation S.A. ("SIA") as at October 31, 2006.

24) Summary of differences between French GAAP and U.S. GAAP

The consolidated financial statements have been prepared in accordance with French GAAP which, as applied by the Company, differ in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). The effects of the application of US GAAP to stockholders' equity and net income are set forth in the tables below:

(a) Reconciliation of Net Income to US GAAP (in €)

	Nine-month period ended September 30, 2006	Year period ended December 31, 2005
French GAAP Net Income (Loss) as reported in the Consolidated Statement of Operations	(858 958)	1 744 879
Adjustments to conform to US GAAP		
Revenue recognition adjustments	(1 639 000)	(3 589 000)
Research & development costs capitalised	—	(300 000)
Tax effect	510 274	1 214 159
	(1 128 726)	(2 674 841)
US GAAP Net Income	(1 987 684)	(929 962)

	September 30, 2006	December 31, 2005
French GAAP Stockholders' Equity as reported in the Consolidated Balance Sheet	6 817 348	7 661 514
Adjustments to conform to US GAAP		
Revenue recognition adjustments	(8 840 000)	(7 201 000)
Marketable securities fair valued	9 000	17 062
Research & development costs capitalised	(300 000)	(300 000)
Tax effect	2 943 372	2 436 098
	(6 187 628)	(5 047 840)
US GAAP Stockholders' Equity	629 720	2 613 674

Accounting for revenue recognition under US GAAP

The company's contracts include some or all of the following elements: software license, and/or hardware, maintenance and support, training, installation, integration services and other services. For such arrangements including multiple elements within the scope of SOP 97-2, the SOP requires that vendor-specific objective evidence (VSOE) of fair value be available for the elements in order to separate the arrangement and to account for each element of the arrangement separately.

The company has concluded that the VSOE of maintenance could not be established. Therefore :

- When a license is sold with maintenance during the first year of the license, the company recognizes the total contract value over the length of the maintenance which is deemed to be 12 months.
- When a license is sold without maintenance and the company intends to provide the first year maintenance for free, even if this is not specified in the sales agreement, the contract value is recognized ratably over 12 months.

Further, the company also concluded that the VSOE of training could not be established for a contract in which a license was sold with unlimited training sessions. Therefore, the company has recognised the license ratably over the life of the software which was estimated by the company at 3 years.

For contracts including a full refund clause, the revenue is deferred fully until the contingency is resolved, when the final acceptance of the last delivered product is obtained.

Other differences between French GAAP and US GAAP

In the course of 2005, the Company acquired and capitalized components of a software to be included in a solution under development that is expected to be marketed at the end of 2006. Under US GAAP, those components have to be considered as research and development costs and therefore have to be recorded through P&L.

Under French GAAP, marketable securities are recorded at their historical cost. Under US GAAP, available for sale marketable securities are stated at their fair value and changes in fair value are recorded in equity.

Under French GAAP, no compensation expense is recognized in connection with the grant of warrants. Under US GAAP, the Company has elected to apply the intrinsic method in accordance with APB Opinion No. 25 ("Accounting for Stock Issued to Employees"), which provides that a compensation expense is recognized when the fair value of the underlying stock exceeds the exercise price of the warrants at the date of grant.

SFAS 123R is effective as of the first annual reporting period that begins after December 15, 2005. The statement has to be applied prospectively to all awards granted after the required effective date and to previous awards modified, repurchased, or cancelled after that date. As no award has been granted, modified, repurchased, or cancelled between January 1st and September 30, 2006, the application of SFAS 123R has no impact on consolidated financial statements as at 30 September 2006.

Exhibit 99.3

Unaudited Combined Pro Forma Financial Information

On October 25, 2006, PDF Solutions, Inc. announced that it had entered into a definitive agreement to acquire SIA, a privately held company based in Montpellier, France. The acquisition was subsequently completed on October 31, 2006. SIA developed and licensed fault detection and classification software applications and services dedicated to the semiconductor industry to enable customers to rapidly identify sources of process variations and manufacturing excursions by monitoring equipment parameters through its proprietary data collection and analysis applications. The acquisition of SIA will provide the Company's customers with greater capabilities for managing product yield improvement as a result of these process control solutions and services. Under the terms of the agreement, PDF acquired all outstanding shares of SIA in consideration for $25.5 million in cash, issuance of 699,298 shares of the Company's common stock valued at $9.4 million, and transaction costs of $1.6 million, resulting in an aggregate purchase price of $36.5 million. The fair value of the Company's common stock was determined based on the average closing price per share of the Company's common stock over a 5-day period beginning two trading days before and ending two trading days after the announcement by the Company of the acquisition on October 25, 2006.

The Company has accounted for the acquisition as a business combination under the purchase method of accounting. Under the purchase method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed based upon their estimated fair values, considering a number of factors, including the use of an independent appraisal. Estimates of the fair values of acquired assets and assumed liabilities of SIA have been combined with the recorded values of the assets and liabilities of PDF in the unaudited pro forma condensed combined financial information.

The following unaudited pro forma condensed combined financial information gives effect to the acquisition PDF and SIA. This unaudited condensed combined financial information is based upon the historical financial statements of PDF and SIA and is based on the assumptions and estimates set forth below in the notes to such information.

The unaudited pro forma condensed combined balance sheet at September 30, 2006 gives effect to the acquisition as if the acquisition had occurred on September 30, 2006. The unaudited pro forma condensed combined statements of operations for the fiscal year ended December 31, 2005 and nine months ended September 30, 2006 gives effect to the acquisition as if the acquisition had occurred at the beginning of the fiscal year ended December 31, 2005.

The unaudited pro forma condensed combined financial information, including the notes thereto, does not give effect to any potential cost savings or other synergies that could result from the acquisition. The unaudited pro forma condensed combined financial information is not intended to represent or be indicative of the financial position or results of operations in future periods or the results that would have been realized if the acquisition had been consummated on the dates indicated. The unaudited pro forma condensed combined financial information should be read in conjunction with the historical financial statements of PDF contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which was filed with the SEC on March 16, 2006, and in its Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2006, which was filed with the SEC on November 21, 2006, and the historical financial statements of SIA included elsewhere in this Form 8-K/A.

PDF Solutions, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
(In thousands)
September 30, 2006

	Historical		Proforma	
	PDF	SiA	Adjustments	Combined
Assets				
Current assets:				
Cash and cash equivalents	$ 52,781	$ 6,425	$ (23,617)**(1)**	$ 35,589
Short-term investments	17,137	320	—	17,457
Accounts receivable, net of allowance for doubtful accounts	23,420	2,192	—	25,612
Other receivables	—	878	—	878
Prepaid expenses	2,378	112	—	2,490
Deferred tax asset, current	768	—	—	768
Total current assets	96,484	9,927	(23,617)	82,794
Property and equipment, net	3,533	76	—	3,609
Goodwill	38,963	381	14,283**(1)**	53,246
			(381)**(9)**	
Intangible assets, net	5,284	107	10,320**(2)**	15,711
Deferred tax asset, non-current	2,361	5,020	—	7,381
Other assets	1,126	55	—	1,181
Total assets	$147,751	$ 15,566	$ 605	$163,922
Liabilities and Stockholders' Equity				
Accounts payable	$ 2,779	$ 1,522	$ —	$ 4,301
Accrued compensation and benefits	2,743	1,073	—	3,816
Other accrued liabilities	1,729	48	1,880**(7)**	3,657
Other liabilities	—	—	1,679**(4)**	1,679
Taxes payable	4,262	—	—	4,262
Deferred revenues	2,702	10,763	(10,716)**(3)**	2,749
Billings in excess of recognized revenue	139	—	—	139
Current portion of long-term debt	—	11	—	11
Total current liabilities	14,354	13,417	(7,157)	20,614
Long-term debt	—	1,206	—	1,206
Long-term liabilities	252	143	—	395
Total liabilities	14,606	14,766	(7,157)	22,215
Common stock	$ 4	$ 2,392	$ (2,392)**(8)**	$ 4
Additional paid-in-capital	152,136	6,422	2,940**(1)(8)**	161,498
Treasury stock at cost	(5,549)	—	—	(5,549)
Accumulated deficit	(13,460)	(7,976)	7,176**(2)(8)**	(14,260)
Cumulative other comprehensive income (loss)	14	(38)	38**(8)**	14
Total stockholders' equity	133,145	800	7,762	141,707
Total liabilities and stockholders' equity	$147,751	$ 15,566	$ 605	$163,922

See notes to unaudited pro forma condensed combined financial statements.

PDF Solutions, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
(In thousands, except per share amounts)

	Year ended December 31, 2005			
	Historical		Pro Forma	
	PDF	SIA	Adjustments	Combined
Revenues	$ 73,928	$ 7,866	$ —	$ 81,794
Costs and expenses:				
Costs of revenues				
Direct costs of revenues	24,612	2,568	—	27,180
Amortization of acquired core technology	5,064	—	1,238**(2)**	6,302
Research and development	22,204	4,311	—	26,515
Selling, general and administrative	16,146	3,025	—	19,171
Amortization of intangibles	940	—	3,113**(2)**	4,053
Total costs and expenses	68,966	9,904	4,351	83,221
Income (loss) from operations	4,962	(2,038)	(4,351)	(1,427)
Other income	1,658	385	(1,275)**(5)**	768
Other expense	—	(8)	—	(8)
Income (loss) before taxes	6,620	(1,661)	(5,626)	(667)
Tax provision (benefit)	96	(505)	(2,250)**(6)**	(2,659)
Net income (loss)	$ 6,524	$ (1,156)	$ (3,376)	$ 1,992
Net income per share:				
Basic	$ 0.25			$ 0.07
Diluted	$ 0.24			$ 0.07
Weighted average common shares:				
Basic	25,983		699	26,682
Diluted	27,473		699	28,172

See notes to unaudited pro forma condensed combined financial statements.

PDF Solutions, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
(In thousands, except per share amounts)

	Nine months ended September 30, 2006			
	Historical		Pro Forma	
	PDF	SiA	Adjustments	Combined
Revenues	$ 57,231	$ 4,750	$ —	$ 61,981
Costs and expenses:				
Costs of revenues				
Direct costs of revenues	19,906	1,643	—	21,549
Amortization of acquired core technology	3,798	—	928**(2)**	4,726
Research and development	19,543	3,788	—	23,331
Selling, general and administrative	14,850	2,692	—	17,542
Amortization of intangibles	705	—	377**(2)**	1,082
Total costs and expenses	58,802	8,123	1,305	68,230
Loss from operations	(1,571)	(3,373)	(1,305)	(6,249)
Other income	2,338	88	(956)**(5)**	1,470
Other expense	—	(354)	—	(354)
Income (loss) before taxes	767	(3,639)	(2,261)	(5,133)
Tax provision (benefit)	776	(1,167)	(904)**(6)**	(1,295)
Net loss	$ (9)	$ (2,472)	$ (1,357)	$ (3,838)
Net loss per share:				
Basic	$ (0.00)			$ (0.14)
Diluted	$ (0.00)			$ (0.14)
Weighted average common shares:				
Basic	26,694		699	27,393
Diluted	26,694		699	27,393

See notes to unaudited pro forma condensed combined financial statements.

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

NOTE. 1 BASIS OF PRESENTATION

The unaudited pro forma condensed combined financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The Company believes that the disclosures are adequate to make the information not misleading.

NOTE 2. DESCRIPTION OF THE SI AUTOMATION S.A. ACQUISITION

On October 25, 2006, the Company announced that it had entered into a definitive agreement to acquire SIA, a privately held company based in Montpellier, France. The acquisition was subsequently completed on October 31, 2006. SIA develops and licenses fault detection and classification software applications and services dedicated to the semiconductor industry to enable customers to rapidly identify sources of process variations and manufacturing excursions by monitoring equipment parameters through its proprietary data collection and analysis applications. The acquisition of SIA will provide the Company's customers with greater capabilities for managing product yield improvement as a result of these process control solutions and services. Under the terms of the agreement, PDF acquired all outstanding shares of SIA in consideration for $25.5 million in cash, issuance of 699,298 shares of the Company's common stock valued at $9.4 million and transaction costs of $1.6 million, resulting in an aggregate purchase price of $36.5 million. The fair value of the Company's common stock was determined based on the average closing price per share of the Company's common stock over a 5-day period beginning two trading days before and ending two trading days after the announcement of the terms on October 25, 2006.

The structure and calculation of the purchase price has been calculated as follows (in millions):

Cash paid for purchase	$	25.5	(a)
Value of shares issued on issuance date		9.4	
Transaction costs		1.6	
Total purchase price	$	36.5	

(a) Cash paid for the purchase consists of (in millions):

Cash paid to shareholders	$	20.9
Due to shareholders		1.9
Cash paid to escrow account		2.7
Total cash paid for purchase	$	25.5

The excess of the purchase price over the fair value of the assets acquired and liabilities assumed has been recorded as goodwill. Brand names, contract backlog, customer relationships and core technology were identified as intangible assets and are being amortized over their useful lives ranging from one to four years. The Company used an independent valuation firm to assist management in estimating these fair values.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, the merger is accounted for as a purchase of SIA by PDF. The purchase price has been allocated based upon the fair value of the assets acquired and liabilities assumed as determined through an independent valuation. The following table summarizes the components of the total purchase price and the allocation (in thousands):

Allocation of purchase price:	Estimated Useful Life (Yrs).	
Allocation of purchase price:		
Fair value of tangible assets		$ 15,186
Brand name	4	510
Contract backlog	1	2,610
Customer relationships	6	2,250
Core technology	4	4,950
In-process research and development*	N/A	800
Goodwill	N/A	14,283
Total assets acquired		40,589
Bank debt		(1,217)
Accounts payable		(1,522)
Accrued liabilities		(1,264)
Deferred revenue		(47)
Total liabilities assumed		(4,050)
Total consideration		$ 36,539

* In-process research and development of $800,000 was expensed in the period in which the acquisition was consummated. Accordingly the in-process research and development is reflected in the pro forma condensed combined balance sheet as an addition to accumulated deficit. The pro forma condensed combined statements of operations do not include the in-process research and development of $800,000 as it is considered a non-recurring charge.

Operating results from the SIA acquisition are included in the consolidated statements of operations from the date of acquisition and the acquisition assets and liabilities are included in the balance sheet of PDF as of September 30, 2006.

The following adjustments have been reflected in the unaudited pro forma condensed combined financial statements:

(1) To record cash paid, common stock issued, and record applicable purchase accounting entries including intangible assets. Common stock issued is based on the number of shares issued in the actual transaction, which closed on October 31, 2006.

(2) Adjustment to record the amortization of identifiable intangible assets resulting from the allocation of the SIA purchase price. The pro forma adjustment assumes that the identifiable intangibles will be amortized on a straight-line basis over the following estimated lives (remaining intangibles including goodwill will be tested for impairment):

Identifiable Intangible	Estimated Useful Life
Brand name	4
Contract backlog	1
Customer relationships	6
Core technology	4

(3) To adjust acquired assets and assumed liabilities to fair value.

(4) To record estimated transaction costs associated with the acquisition.

(5) Adjustment to record reduction in estimated interest income earned on cash and cash equivalents as result of paying cash proceeds of $25.5 million in connection with the acquisition.

(6) To record the income tax impact of the net pro forma adjustments at PDF's statutory rate of 40%.

(7) To record outstanding payments due to stockholders pursuant to the terms of the Purchase Agreement. Such final payments are contingent upon certain closing transaction adjustments following the closing period.

(8) To eliminate SIA's equity balances and record the net equity position upon the acquisition.

(9) To eliminate SIA's existing goodwill.