

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

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

**Date of Report (Date of Earliest Event Reported): April 20, 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 2.02 Results of Operations and Financial Condition.**

On April 20, 2006, the Registrant issued a press release regarding its financial results and certain other information related to the first fiscal quarter of 2006 ended March 31, 2006. A copy of the press release is attached hereto as Exhibit 99.1. The information in this Item 2.02, including Exhibit 99.1, is furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into the filings of the Company under the Securities Act of 1933, as amended.

**Item 7.01 Regulation FD Disclosure.**

On April 20, 2006, the Registrant issued a press release regarding the financial outlook for the second fiscal quarter ending June 30, 2006 and the third fiscal quarter ending September 30, 2006. A copy of the press release is attached hereto as Exhibit 99.2. The information in this Item 7.01, including Exhibit 99.2, is furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into the filings of the Company under the Securities Act of 1933, as amended.

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

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated April 20, 2006 regarding financial results and certain other information related to the first fiscal quarter of 2006 ended March 31, 2006.
99.2	Press Release dated April 20, 2006 regarding the financial outlook for the second fiscal quarter ending June 30, 2006 and the third fiscal quarter ending September 30, 2006.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PDF SOLUTIONS, INC.  
(Registrant)

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

Dated: April 20, 2006

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**EXHIBIT INDEX**

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99.1	Press Release dated April 20, 2006 regarding financial results and certain other information related to the first fiscal quarter of 2006 ended March 31, 2006.
99.2	Press Release dated April 20, 2006 regarding the financial outlook for the second fiscal quarter ending June 30, 2006 and the third fiscal quarter ending September 30, 2006.

## ***News Release***

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### **PDF Solutions® Reports First Quarter 2006 Results**

*Record Gain Share Contributes to 13<sup>th</sup> Sequential Quarter of Revenue Growth*

SAN JOSE, Calif.—April 20, 2006—PDF Solutions, Inc. (Nasdaq: PDFS) the leading provider of process-design integration technologies to enhance IC manufacturability, today announced financial results for its first fiscal quarter ended March 31, 2006.

Revenue for the first fiscal quarter of 2006 totaled a record \$19.9 million, an increase of 10%, compared with revenue of \$18.1 million for the first fiscal quarter of 2005. Gain share revenue for the first fiscal quarter of 2006 totaled a record \$5.0 million, an increase of 140%, compared to the first fiscal quarter of 2005. On a GAAP basis, net income for the first fiscal quarter of 2006 totaled \$268,000, or \$0.01 per diluted share, compared with net income of \$1.4 million, or \$0.05 per diluted share, for the first fiscal quarter of 2005. The adoptions of SFAS 123(R) during the first fiscal quarter of 2006 resulted in \$2.2 million in stock-based compensation expense or approximately \$0.08 per diluted share.

In addition to using GAAP results in evaluating PDF Solutions' business, management also believes it is useful to measure results using a non-GAAP measure of net income or loss, which excludes amortization of stock-based compensation and acquired intangible assets. Using this non-GAAP measure, net income for the first fiscal quarter of 2006 totaled approximately \$3.3 million, or \$0.12 per diluted share, compared with non-GAAP net income of approximately \$2.7 million, or \$0.10 per diluted share, for the first fiscal quarter of 2005.

As previously announced, PDF will hold a live conference call beginning at 3:00 p.m. Pacific Time/6:00 p.m. Eastern Time today to discuss these results. A live webcast of this

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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 comparable GAAP measure, which non-GAAP measures may be used periodically by PDF Solutions' management when discussing financial results with investors and analysts, will be available on PDF Solutions' website at [http://www.pdf.com/news\\_archive.phtml](http://www.pdf.com/news_archive.phtml) following the date of this release.

#### **Information Regarding Use of Non-GAAP Financial Measures**

In addition to providing results that are determined in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP), PDF Solutions also provides certain non-GAAP financial measures that exclude the effects of amortization of stock-based compensation and acquired intangible assets. PDF Solutions' management believes that the presentation of these measures provides useful supplemental information to investors regarding PDF's operating results. These non-GAAP financial measures are used by management internally to measure the company's profitability and performance. PDF's management believes that excluding the effects of amortization of stock-based compensation and acquired intangible assets provides a useful supplemental measure of the company's ongoing operations in light of the fact that neither category of expense has a current effect on the future uses of cash nor do they have use with regards to the generation of current or future revenues. These non-GAAP results should not be considered an alternative to, or a substitute for, GAAP financial information, and may be different from similarly titled non-GAAP measures used by other companies. In particular, these non-GAAP financial measures are not a substitute for GAAP measures of income as a measure of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity. Since management uses these non-GAAP financial measures internally to measure profitability and performance, PDF has included these non-GAAP measures to give investors an opportunity to see the company's financial results as viewed by management. A reconciliation of the non-GAAP financial measures to the comparable GAAP financial measure is provided at the end of the company's financial statements presented below.

#### **About PDF Solutions**

PDF Solutions, Inc. (Nasdaq: PDFS) is 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>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 40,135	\$ 60,506
Short-term investments	24,923	—
Accounts receivable, net of allowances	21,579	22,082
Prepaid expenses and other current assets	1,762	1,992
Deferred tax assets	730	908
Total current assets	89,129	85,488
Property and equipment, net	3,635	3,328
Goodwill	39,886	39,886
Intangible assets, net	8,287	9,787
Deferred tax assets	823	877
Other assets	487	526
Total assets	<u>\$142,247</u>	<u>\$ 139,892</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 986	\$ 1,728
Accrued compensation and related benefits	2,937	4,922
Other accrued liabilities	1,240	1,469
Taxes payable	5,037	4,950
Deferred revenues	3,259	2,281
Billings in excess of recognized revenue	590	1,604
Total current liabilities	14,049	16,954
Long-term liabilities	230	257
Total liabilities	<u>14,279</u>	<u>17,211</u>
Stockholders' equity:		
Common stock	4	4
Additional paid-in-capital	146,728	141,720
Treasury stock, at cost	(5,549)	(5,549)
Deferred stock-based compensation	—	(27)
Accumulated deficit	(13,184)	(13,451)
Accumulated other comprehensive loss	(31)	(16)
Total stockholders' equity	<u>127,968</u>	<u>122,681</u>
Total liabilities and stockholders' equity	<u>\$142,247</u>	<u>\$ 139,892</u>

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

	Three Months Ended	
	March 31, 2006	March 31, 2005
<b>Revenue:</b>		
Design-to-silicon-yield solutions:		
Integrated solutions	\$ 12,229	\$ 12,557
Software licenses	2,612	3,449
Gain share	5,016	2,087
Total revenue	19,857	18,093
<b>Cost and expenses:</b>		
Cost of design-to-silicon-yield solutions:		
Direct costs of design-to-silicon-yield solutions:		
Integrated solutions	6,429	5,750
Software licenses	11	157
Amortization of acquired core technology	1,266	1,266
Research and development	6,256	5,378
Selling, general and administrative	4,956	3,914
Amortization of other acquired intangible assets	235	235
Total costs and expenses	19,153	16,700
Income from operations	704	1,393
Interest and other income	635	272
Income before taxes	1,339	1,665
Tax provision	1,071	271
Net income	\$ 268	\$ 1,394
<b>Net income per share:</b>		
Basic	\$ 0.01	\$ 0.05
Diluted	\$ 0.01	\$ 0.05
<b>Weighted average common shares:</b>		
Basic	26,542	25,696
Diluted	28,223	27,129

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

	Three Months Ended March 31, 2006			Three Months Ended March 31, 2005		
	As reported	Adjustments	Non-GAAP	As reported	Adjustments	Non-GAAP
<b>Revenue:</b>						
Design to-silicon-yield solutions:						
Integrated solutions	\$ 12,229	\$ —	\$ 12,229	\$ 12,557	\$ —	\$ 12,557
Software licenses	2,612	—	2,612	3,449	—	3,449
Gain share	5,016	—	5,016	2,087	—	2,087
Total revenue	<u>19,857</u>	<u>—</u>	<u>19,857</u>	<u>18,093</u>	<u>—</u>	<u>18,093</u>
<b>Cost and expenses:</b>						
Cost of design-to-silicon-yield solutions:						
Direct cost of design-to-silicon-yield solutions:						
Integrated solutions	6,429	(621) (a)	5,808	5,750	—	5,750
Software licenses	11	—	11	157	—	157
Amortization of acquired core technology	1,266	(1,266) (b)	—	1,266	(1,266) (b)	—
Research and development	6,256	(618) (a)	5,638	5,378	(42) (a)	5,336
Selling, general and administrative	4,956	(929) (a)	4,027	3,914	—	3,914
Amortization of other acquired intangible assets	235	(235) (b)	—	235	(235) (b)	—
Total costs and expenses	<u>19,153</u>	<u>(3,669)</u>	<u>15,484</u>	<u>16,700</u>	<u>(1,543)</u>	<u>15,157</u>
Income from operations	704	3,669	4,373	1,393	1,543	2,936
Interest and other income	635	—	635	272	—	272
Income before taxes	1,339	3,669	5,008	1,665	1,543	3,208
Tax provision	1,071	673 (a,b)	1,744	271	238 (b)	509
Net income	<u>\$ 268</u>	<u>\$ 2,996</u>	<u>\$ 3,264</u>	<u>\$ 1,394</u>	<u>\$ 1,305</u>	<u>\$ 2,699</u>
Net income per share — diluted	<u>\$ 0.01</u>	<u>\$ 0.11</u>	<u>\$ 0.12</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.10</u>
Weighted average common shares — diluted(c)	<u>28,223</u>	<u>28,223</u>	<u>28,223</u>	<u>27,129</u>	<u>27,129</u>	<u>27,129</u>

Notes:

- (a) The non-GAAP adjustments represent the reversal of stock-based compensation, net of taxes.
- (b) The non-GAAP adjustments represent the reversal of amortization of intangible assets, net of taxes.
- (c) The shares used in computing non-GAAP net income for the three months ended March 31, 2006 and 2005 include the dilutive impact of common stock options.

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## ***News Release***

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### **PDF Solutions® Provides Financial Outlook For The Second and Third Quarters of Fiscal 2006**

SAN JOSE, Calif.—April 20, 2006—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 second and third fiscal quarters ending June 30, 2006 and September 30, 2006, respectively.

PDF Solutions expects total revenue in the range of \$18.2 million to \$19.2 million for the second fiscal quarter ending June 30, 2006. Gain share revenue for the second quarter is expected to be in the range of \$5.1 million to \$5.6 million. On a GAAP basis, net income (loss) for the second fiscal quarter of 2006 is projected in a range of \$(200,000) to \$400,000, or \$(0.01) to \$0.01 per diluted share.

For the third fiscal quarter ending September 30, 2006, PDF Solutions expects total revenue in the range of \$20.2 million to \$21.2 million. On a GAAP basis, net income for the third fiscal quarter of 2006 is projected in a range of \$440,000 to \$1.0 million, or \$0.02 to \$0.04 per diluted share.

In addition to using GAAP results in evaluating PDF Solutions' business, management also believes it useful to measure results using a non-GAAP measure of net income, which excludes amortization of stock-based compensation and acquired intangible assets. Non-GAAP net income for the second fiscal quarter ending June 30, 2006 is projected in a range of \$2.9 million to \$3.5 million, or \$0.10 to \$0.12 per diluted share. Non-GAAP net income for the third fiscal quarter ending September 30, 2006 is projected in a range of \$3.6 million to \$4.1 million, or \$0.12 to \$0.14 per diluted share.

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As previously announced, PDF will hold a live conference call beginning at 3:00 p.m. Pacific Time/6:00 p.m. Eastern Time today to discuss its first quarter 2006 results and financial outlook for the second and third fiscal quarters of 2006. 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.

**Information Regarding Use of Non-GAAP Financial Measures:**

In addition to providing guidance that is determined in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP), PDF Solutions also provides certain non-GAAP financial measures that exclude the effects of amortization of stock-based compensation and acquired intangible assets. PDF Solutions' management believes that the presentation of these measures provides useful supplemental information to investors regarding PDF's operating results. These non-GAAP financial measures are used by management internally to measure the company's profitability and performance. PDF's management believes that excluding the effects of amortization of stock-based compensation and acquired intangible assets provides a useful supplemental measure of the company's ongoing operations in light of the fact that neither category of expense has a current effect on the future uses of cash nor do they have use with regards to the generation of current or future revenues. This non-GAAP guidance should not be considered an alternative to, or a substitute for, GAAP financial information, and may be different from similarly titled non-GAAP measures used by other companies. In particular, these non-GAAP financial measures are not a substitute for GAAP measures of income as a measure of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity. Since management uses these non-GAAP financial measures internally to measure profitability and performance, PDF has included these non-GAAP measures to give investors an opportunity to see the company as viewed by management. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measure is provided at the end of this press release.

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**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.*

**Forward-Looking Statements:**

The statements in this press release regarding PDF Solutions' outlook for its second and third fiscal quarters of 2006, 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, 2006, and its quarterly reports on Form 10-Q, most recently filed on November 9, 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 (LOSS) INCOME TO PROJECTED**  
**NON-GAAP NET INCOME**  
(In thousands, except per share data)

<b>PROJECTED RESULTS</b>	<b>Three Months Ending June 30, 2006</b>	
GAAP net income (loss) per share — diluted	\$ (0.01)	to \$ 0.01
GAAP net income (loss)	\$ (200)	to \$ 400
Amortization of stock-based compensation, net of taxes	1,992	1,992
Amortization of acquired intangible assets, net of taxes	1,126	1,126
Non-GAAP net income	<u>\$ 2,918</u>	to <u>\$ 3,518</u>
Non-GAAP net income per share – diluted	<u>\$ 0.10</u>	to <u>\$ 0.12</u>
Weighted average common shares — diluted	<u>28,600</u>	<u>28,600</u>
<b>PROJECTED RESULTS</b>	<b>Three Months Ending September 30, 2006</b>	
GAAP net income per share — diluted	<u>\$ 0.02</u>	to <u>\$ 0.04</u>
GAAP net income	\$ 440	to \$ 1,030
Amortization of stock-based compensation, net of taxes	1,992	1,992
Amortization of acquired intangible assets, net of taxes	1,126	1,126
Non-GAAP net income	<u>\$ 3,558</u>	to <u>\$ 4,148</u>
Non-GAAP net income per share – diluted.	<u>\$ 0.12</u>	to <u>\$ 0.14</u>
Weighted average common shares — diluted	<u>29,100</u>	<u>29,100</u>

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