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DELCATH SYSTEMS INC
Form S-3/A
June 09, 2004

As filed with the Securities and Exchange Commission on June 9, 2004.

Registration No. 333-114600

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

Amendment No. 1

to

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

DELCATH SYSTEMS, INC.
(Exact name of Issuer as specified in its charter)

1100 Summer Street
3rd Floor
Stamford, Connecticut 06905
(203) 323-8668

(Address, Including Zip Code, and Telephone Number, Including Area Code of
Registrant's Principal Executive Office)

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President and Chief Executive Officer
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1100 Summer Street
3rd Floor
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration. If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a) MAY DETERMINE.

Subject to Completion. Dated June 9, 2004

DELCATH SYSTEMS, INC.

Up to 5,969,490 Shares of Common Stock

This prospectus relates to two offerings of our common stock.

The first offering is a primary offering by us of up to 3,098,070 shares that may be issued upon the exercise of warrants that we issued in 2000 and 2003 and that are currently publicly traded. We will receive the proceeds of any exercise of these warrants. If all of these warrants were to be issued, we would receive net proceeds of approximately \$9.3 million (after our estimated expenses of these offerings of \$50,000) . Based on the recent prices of our common stock on the Nasdaq SmallCap Market in comparison to the exercise price of the 2003 Warrants, we expect that we will elect to redeem the 2003 Warrants as promptly as practicable. Based on those prices in comparison to the exercise price of our 2000 Warrants, we believe it is likely that few if any of the 2000 Warrants will be exercised.

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The second offering is the resale of:

- o up to 1,879,626 shares that we issued in connection with the exercise of warrants we issued as part of a private placement in 2002 and in private placements in 2004 (including shares that we may issue upon exercise of the warrants we issued as part of the private placements in 2004); and
- o up to 991,784 shares that we might issue on the exercise of unit warrants we issued to the underwriters of our public offerings and of warrants that we might issue upon exercise of warrants issued to the placement agents in our 2004 private placement.

If any of the shares described in the preceding paragraph are resold, we will not receive any of the proceeds which will go to the person who sells the shares.

The exercise prices of our 2004 Warrants, 2003 Warrants and 2000 Warrants are subject to adjustment, including anti-dilution provisions for corporate events, such as stock splits. It is possible that none of the 2004 Warrants, the 2003 Warrants or the 2000 Warrants will be exercised.

Our common stock is currently traded on the Nasdaq Small Cap Market and the Boston Stock Exchange under the symbols "DCTH" and "DCT," respectively. Our 2000 Warrants currently trade on the Nasdaq Small Cap Market under the symbol "DCTW." Our 2003 Warrants currently trade on the OTC Bulletin Board and the Boston Stock Exchange under the symbols "DCTHZ" and "DCT&W," respectively. On June 4, 2004, our common stock had a closing price of \$2.20 per share, our 2003 Warrants had a closing price of \$1.40 per Warrant and our 2000 Warrants had a closing price of \$0.51 per Warrant.

Investing in our securities involves a high degree of risk. See "Risk Factors" beginning on page 1 for factors you should consider before investing in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is June __, 2004.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. NEITHER WE NOR THE SELLING SHAREHOLDERS MAY SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

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FOR CALIFORNIA INVESTORS

The offering of our Common Stock and the 2003 Warrants and the shares offered on exercise of the 2003 Warrants was approved in California on the basis of a limited offering qualification. Investors who are residents of California must meet a "super suitability" standard of not less than \$250,000 liquid net worth (exclusive of home, home furnishings and automobiles), plus \$65,000 gross annual income or \$500,000 liquid net worth of \$1,000,000 net worth (inclusive of home, home furnishings and automobiles) or \$200,000 gross annual income. We did not have to demonstrate compliance with some or all of the merit regulations of the California Department of Corporations, as found in Title 10, California Code of Regulations, Rule 260.140 et seq.

Residents of the State of California will be unable to sell shares of common stock they purchase in this offering, and investors residing in all other states will be unable to sell shares of common stock they purchase in this offering to California residents, pursuant to exemptions for secondary trading available under California Corporations Code Section 25104(h), as such exemptions have been withheld. However, secondary sales may be made to purchasers who meet the "super suitability" standards or there may be other exemptions to cover private sales by the bona fide owners of our securities for such owners' own account without advertising and without being effected by or through a broker dealer in a public offering.

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No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained or incorporated in this prospectus. If given or made, such information or representations must not be relied upon as having been authorized by Delcath Systems, Inc., by the selling security holders or by any other person deemed to be an underwriter. Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of Delcath Systems, Inc. since the date hereof. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy the common stock or the warrants covered by this prospectus by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

In this prospectus, "Delcath," "we," "us" and "our" refer in each case to Delcath Systems, Inc.

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RISK FACTORS

You should consider carefully the following factors, as well as the other information set forth in this prospectus, prior to making an investment in our securities. If any of the following risks and uncertainties actually occur, our business, financial condition or operating results may be materially and adversely affected. In this event, the trading price of our securities, as

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applicable, may decline and you may lose part or all of your investment.

Risks Related to Our Business and Financial Condition

The following factors relate to risks that are material to our business and financial condition. If any of the possible events we describe below turns out to be the case, our business may be adversely affected and we may be forced to cease or curtail our operations which may result in the loss of your entire investment.

Our entire focus has been the development and commercialization of the Delcath system.

The Delcath system, an enabling technology for the isolation of various organs in the body to permit the delivery of otherwise unacceptably toxic doses of drugs, is our only product. If the Delcath system fails as a commercial product, we have no other products to sell.

Continuing losses may exhaust our capital resources. We have no revenue to date, a substantial accumulated deficit, recurring operating losses and negative cash flow.

We expect to incur significant and increasing losses while generating minimal revenues over the next few years. From our inception on August 5, 1988 through December 31, 2003, we have incurred cumulative losses of \$18.2 million which were principally incurred in connection with our product development efforts. For the years ended December 31, 2002 and December 31, 2003, we incurred net losses of \$1.8 million and \$2.3 million, respectively, and for the quarters ended March 31, 2003 and March 31, 2004, we incurred net losses of \$531,000 and \$710,000, respectively.

We have funded our operations through a combination of private placements of our securities and through the proceeds of our public offerings in 2000 and 2003. Please see the detailed discussion of our various sales of securities described in Note 2 to our 2003 financial statements that are included in our Annual Report on Form 10-KSB for the year ended December 31, 2003. In addition, we received gross proceeds of approximately \$3.5 million from private placements we completed in 2004 and approximately \$229,000 on exercise of warrants in 2004 through March 31, 2004.

If we continue to incur losses we may exhaust our capital resources, including those raised in this offering. As of March 31, 2004, we had cash and cash equivalents and short term investments of \$5.0 million.

We will likely need additional funding to complete our planned clinical trials and our efforts to raise additional financing may be unsuccessful.

Our resources may not be sufficient to enable us to complete our Phase III clinical trials and obtain FDA premarket approval for the use of doxorubicin with our Delcath system because of unanticipated delays or expenses, increased regulatory requirements by the FDA or other factors which we cannot foresee or control. If we do not obtain any financing that we may require, we will not be able to complete Phase III clinical trials or obtain FDA pre-marketing approval for the use of doxorubicin with the Delcath system. Our ability to complete the Phase III clinical trials could be lessened to the extent we devote assets to clinical trials using melphalan with the Delcath system.

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If we do not raise any additional capital that may be required to commercialize the Delcath system, our potential to generate future revenues will be significantly limited even if we receive FDA premarket approval.

Our current resources may not be sufficient to complete Phase III clinical trials using doxorubicin and will be insufficient to fund the costs of commercializing the Delcath system which will be significant. We have no commitments for any additional financing. If we are unable to obtain additional financing as needed, we will not be able to sell the system commercially.

Risks Related to FDA and Foreign Regulatory Approval

The following factors relate to risks that are material to obtaining FDA and foreign regulatory approval. If any of the events we describe below turns out to be the case, our business may be adversely affected and we may be forced to cease or curtail our operations which may result in the loss of your entire investment.

If the FDA refuses to grant premarket approval or limits the circumstances under which the Delcath system may be used, our ability to market the Delcath system will be greatly reduced.

Premarket approval requires a determination by the FDA that the data developed by our clinical trials show that the use of doxorubicin in our system is safe and effective in the treatment of primary liver cancer and melanoma which has spread to the liver. The FDA requires that we demonstrate, for each of primary liver cancer and metastatic melanoma, in a statistically rigorous manner, increased patient survival times against a control group before it will approve our application for premarket approval. Even if regulatory approval is granted, the approval may limit the uses for which the Delcath system may be marketed. If we fail to obtain FDA premarket approval, we will not be able to market the Delcath system. Additionally, if we obtain FDA premarket approval with substantial limitations on uses of the Delcath system, our ability to market the system could be significantly reduced.

If we do not obtain FDA premarket approval, we may not be able to export the Delcath system to foreign markets, which will limit our sales opportunities.

If the FDA does not approve our application for premarket approval application for the Delcath system, we will not be able to export the Delcath system from the United States for marketing abroad unless approval has been obtained from one of a number of developed nations. We have not begun to seek foreign regulatory approval and may not be able to obtain approval from one or more countries where we would like to sell the Delcath system. If we are unable to market the Delcath system internationally because we are not able to obtain required approvals, our international market opportunity will be materially limited.

Because of our limited experience, conduct of Phase III clinical trials and obtaining FDA premarket approval could be delayed.

We have experienced and may continue to experience delays in conducting and completing the trials, caused by many factors, including our limited experience in arranging for clinical trials and in evaluating and submitting the data

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gathered from clinical trials, in designing trials to conform to the trial protocols authorized by the FDA, in complying with the requirements of institutional review boards at the sites where the trials will be conducted and in identifying clinical test sites and sponsoring physicians. Completion of our clinical trials will also depend on the ability of the clinical test sites to identify patients to enroll in the clinical trials. The trials may also take longer to complete because of difficulties we may encounter in entering into agreements with clinical testing sites to conduct the trials. Any significant delay in completing clinical trials or in the FDA's responding to our submission or a requirement by the FDA for us to conduct additional trials would delay the commercialization of the Delcath system and our ability to generate revenues.

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Third-party reimbursement may not be available to purchasers of the Delcath system or may be inadequate.

Physicians, hospitals and other health care providers may be reluctant to purchase our system if they do not receive substantial reimbursement for the cost of the procedures using our products from third-party payors, including Medicare, Medicaid and private health insurance plans.

Because the Delcath system currently is characterized by the FDA as an experimental device, Medicare, Medicaid and private health insurance plans will not reimburse its use in the United States. We will not begin to seek to have third-party payors reimburse the cost of the Delcath system until after its use is approved by the FDA. Each third-party payor independently determines whether and to what extent it will reimburse for a medical procedure or product. Third-party payors in the United States or abroad may decide not to cover procedures using the Delcath system. Further, third-party payors may deny reimbursement if they determine that the Delcath system is not used in accordance with established payor protocols regarding cost effective treatment methods or is used for forms of cancer or with drugs not specifically approved by the FDA.

New products are under increased scrutiny as to whether or not they will be covered by the various healthcare plans and the level of reimbursement which will be applicable to respective covered products and procedures. A third-party payor may deny reimbursement for the treatment and medical costs associated with the Delcath system, notwithstanding FDA or other regulatory approval, if that payor determines that the Delcath system is unnecessary, inappropriate, not cost effective, experimental or is used for a non-approved indication.

Risks Related to Manufacturing, Commercialization and Market Acceptance of the Delcath System

We obtain necessary components for the Delcath system from sole-source suppliers. Because manufacturers must demonstrate compliance with FDA requirements, if our present suppliers fail to meet such requirements or if we change any supplier, the successful completion of the clinical trials and/or the commercialization of the Delcath system could be jeopardized.

We must ensure that the components of the Delcath system are manufactured in accordance with manufacturing and performance specifications of the Delcath system on file with the FDA and with drug and device good manufacturing practice requirements. Many of the components of the Delcath system are manufactured by sole source suppliers. If any of our suppliers fails to meet our needs, or if we

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need to seek an alternate source of supply, we may be forced to suspend or terminate our clinical trials. Further, if we need a new source of supply after commercial introduction of the Delcath system, we may face long interruptions in obtaining necessary components, which could jeopardize our ability to supply the Delcath system to the market.

We do not have any contracts with suppliers for the manufacture of components for the Delcath system. If we are unable to obtain an adequate supply of the necessary components, we may not be able timely to complete our clinical trials.

We do not have any contracts with suppliers for the manufacture of components for the Delcath system. Certain components are available from only a limited number of sources. To date, we have only had components of the Delcath system manufactured for us in small quantities for use in pre-clinical studies and clinical trials. We will require significantly greater quantities to commercialize the product. If we are unable to obtain adequate supplies of components from our existing suppliers or need to switch to an alternate supplier, commercialization of the Delcath system could be delayed.

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Because of our limited experience in marketing products and our lack of adequate personnel to market and sell products, we may not be successful in marketing and selling the Delcath system even if we receive FDA premarket approval.

We have not previously sold, marketed or distributed any products and currently do not have the personnel, resources, experience or other capabilities to market the Delcath system adequately. Our success will depend upon our ability to attract and retain skilled sales and marketing personnel. Competition for sales and marketing personnel is intense, and we may not be successful in attracting or retaining such personnel. Our inability to attract and retain skilled sales and marketing personnel could adversely affect our business, financial condition and results of operations.

Market acceptance of the Delcath system will depend on substantial efforts and expenditures in an area with which we have limited experience.

Market acceptance of the Delcath system will depend upon a variety of factors including whether our clinical trials demonstrate a significant reduction in the mortality rate for the kinds of cancers treated on a cost-effective basis, our ability to educate physicians on the use of the Delcath system and our ability to convince healthcare payors that use of the Delcath system results in reduced treatment costs to patients. We have only limited experience in these areas and we may not be successful in achieving these goals. Moreover, the Delcath system replaces treatment methods in which many hospitals have made a significant investment. Hospitals may be unwilling to replace their existing technology in light of their investment and experience with competing technologies. Many doctors and hospitals are reluctant to use a new medical technology until its value has been demonstrated. As a result, the Delcath system may not gain significant market acceptance among physicians, hospitals, patients and healthcare payors.

Rapid technological developments in treatment methods for liver cancer and competition with other forms of liver cancer treatments could result in a

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short product life cycle for the Delcath system.

Competition in the cancer treatment industry, particularly in the markets for systems and devices to improve the outcome of chemotherapy treatment, is intense. The Delcath system competes with all forms of liver cancer treatments that are alternatives to the "gold standard" treatment of surgical resection. Many of our competitors have substantially greater resources, especially financial and technological. In addition, some of our competitors have considerable experience in conducting clinical trials and other regulatory procedures. These competitors are developing systems and devices to improve the outcome of chemotherapy treatment for liver cancer. If these competitors develop more effective or more affordable products or treatment methods, our profitability will be substantially reduced and the Delcath system could have a short product life cycle.

Risks Related to Patents, Trade Secrets and Proprietary Rights

Our success depends in large part on our ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties.

Because of the length of time and expense associated with bringing new medical devices to the market, the healthcare industry has traditionally placed considerable emphasis on patent and trade secret protection for significant new technologies. Litigation may be necessary to enforce any patents issued or assigned to us or to determine the scope and validity of third-party proprietary rights. Litigation could be costly and could divert our attention from our business. If others file patent applications with respect to inventions for which we already have patents issued to us or have patent applications pending, we may be forced to participate in interference proceedings declared by the United States Patent and Trademark Office to determine priority of invention, which could also be costly and could divert our attention from our business. If a third party violates our intellectual property rights, we may be unable to enforce our rights

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because of our limited resources. Use of our limited funds to defend our intellectual property rights may also affect our financial condition adversely.

Risks Related to Products Liability

We do not currently carry products liability insurance and we may not be able to acquire sufficient coverage in the future to cover large claims.

Clinical trials, manufacturing and product sales may expose us to liability claims from the use of the Delcath system. Though participants in clinical trials are generally required to execute consents and waivers of liability, they may still be able to assert products liability claims against us. Claims for damages, whether or not successful, could cause delays in the clinical trials and result in the loss of physician endorsement. A successful products liability claim or recall would have a material adverse effect on our business, financial condition and results of operations.

Risks Related to an Investment in Our Securities

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The following factors relate to risks that are material to an investment in our common stock. Any of these factors could result in lowering the market value of our common stock and our warrants.

There is a limited public float of our common stock and of our 2000 Warrants 2003 Warrants. Because of this, trades of relatively small amounts of our common stock can have a disproportionate effect on the market price for our common stock. The market price of our common stock may be volatile.

Of our outstanding common stock, approximately two-thirds (including the shares that could be sold by the selling security holders named herein) can be considered to be in the public float. The term "public float" refers to shares freely and actively tradeable on the Nasdaq Small Cap Market and/or the Boston Stock Exchange and not beneficially owned by officers, directors or affiliates, as such term is defined under the Securities Act. Because of the relatively small public float and the limited trading volume of our common stock, purchases and sales of relatively small amounts of our common stock can have a disproportionate effect on the market price for our common stock. As a result, the market price of our common stock can be volatile.

The number of shares eligible for future sale may cause the market price of our common stock to be below the level it otherwise would.

The potential for sales of substantial amounts of our common stock, or "equity overhang," could adversely affect the market price of our common stock. As of April 15, 2004, 11,498,626 shares of our common stock were outstanding. All of these shares (including the shares that could be sold by the selling security holders named herein) will be freely tradable without restriction or further registration under the Securities Act. However, the shares of our common stock outstanding and held by our affiliates are subject to certain limitations on resale without registration under the Securities Act. These shares are eligible for sale in compliance with Rule 144. Rule 144 provides volume and manner of sale restrictions and holding periods, which expire after the holder of our common stock ceases to meet the definitions of affiliate or underwriter.

In addition, we may issue substantial amounts of common stock upon exercise of options outstanding under our stock option plans.

Sales of substantial amounts of common stock following this offering, or the perception that such sales could occur, could have an adverse effect on prevailing market prices for our common stock and our publicly-traded warrants.

Anti-takeover provisions in our certificate of incorporation and by-laws and under Delaware law and our stockholder rights agreement may reduce the likelihood of a potential change of control.

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Provisions of our certificate of incorporation, by-laws and Delaware law may have the effect of discouraging, delaying or preventing a change in control of us or unsolicited acquisition proposals that a stockholder might consider favorable. These include provisions:

- o providing for a classified board and permitting the removal of a

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director only for cause;

- o authorizing the board of directors to fill vacant directorships or increase the size of our board of directors; and

- o subjecting us to the provisions of Section 203 of the Delaware General Corporate Law, which provides that a Delaware corporation may not engage in any of a broad range of business combinations with a person or entity who owns 15% or more of the outstanding voting stock of that company for a period of three years from the date the person or entity became an interested stockholder unless (a) prior to such time the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder's becoming an interested stockholder or (b) upon consummation of the transaction which resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced or (c) at or subsequent to such time the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock not owned by the interested stockholder.

Furthermore, our board of directors has the authority to issue shares of preferred stock in one or more series and to fix the rights and preferences of the shares of any such series without stockholder approval. Any series of preferred stock is likely to be senior to the common stock with respect to dividends, liquidation rights and, possibly, voting rights. Our board's ability to issue preferred stock may have the effect of discouraging unsolicited acquisition proposals, thus adversely affecting the market price of our common stock and warrants.

We also have a stockholder rights agreement which could have the effect of substantially increasing the cost of acquiring us unless our board of directors supports the transaction even if the holders of a majority of our common stock are in favor of the transaction.

Our common stock is listed on the Nasdaq SmallCap Market. If we fail to meet the requirements of The Nasdaq Stock Market for continued listing, our common stock could be delisted.

Our common stock is currently listed on the Nasdaq SmallCap Market. To keep such listing, we are required to maintain: (i) a minimum bid price of \$1.00 per share, (ii) a certain public float, (iii) a certain number of round lot shareholders and (iv) one of the following: a net income from continuing operations (in the latest fiscal year or two of the three last fiscal years) of at least \$500,000, a market value of listed securities of at least \$35 million or a stockholders' equity of at least \$2.5 million. At times, we have not met one or more of these criteria. If we do not meet all of the applicable criteria, our common stock could be delisted from the Nasdaq SmallCap Market.

If our common stock is delisted from the Nasdaq SmallCap Market, we may be subject to the risks relating to penny stocks.

If our common stock were to be delisted from trading on the Nasdaq SmallCap Market and the trading price of the common stock remains below \$5.00 per share on the date the common stock were delisted, trading in such securities would also be subject to the requirements of certain rules promulgated under the Exchange Act. These rules require additional disclosure by broker-dealers in

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connection with any trades involving a stock defined as a penny stock and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors, generally

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institutions. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of such securities and the ability of purchasers to sell our securities in the secondary market.

A penny stock is defined generally as any non-exchange listed equity security that has a market price of less than \$5.00 per share, subject to certain exceptions.

California investors may not be able to resell the securities.

Our public offering in 2003 was approved in California on the basis of a limited offering qualification. Investors who are residents of California must meet a "super suitability" standard of not less than \$250,000 liquid net worth (exclusive of home, home furnishings and automobiles), plus \$65,000 gross annual income or \$500,000 liquid net worth or \$1,000,000 net worth (inclusive of home, home furnishings and automobiles) or \$200,000 gross annual income. We did not have to demonstrate compliance with some or all of the merit regulations of the California Department of Corporations, as found in Title 10, California Code of Regulations, Rule 260.140 et seq.

Residents of the State of California may be unable to sell shares of common stock they purchase in this offering, and investors residing in all other states may be unable to sell shares of common stock they purchase in this offering to California residents, pursuant to exemptions for secondary trading available under California Corporations Code Section 25104(h), as such exemptions have been withheld. However, secondary sales may be made to purchasers who meet the "super suitability" standards or there may be other exemptions to cover private sales by the bona fide owners of our securities for such owners' own account without advertising and without being effected by or through a broker dealer in a public offering.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus and in the documents incorporated herein by reference, including statements of our expectations, intentions, plans, objectives and beliefs, shares, are "forward-looking consisting statements," within the meaning of Section 21E of the Securities Exchange Act of 1934, that are issuable subject to certain events, risks and exercise of uncertainties that may be outside our control. These forward-looking statements may be identified by the use of Warrants; words such as "expects," and "anticipates," "intends," "plans" and similar expressions. They include statements of our future plans and exercise of objectives for our future operations and statements of future economic performance, information regarding our expected Warrants. growth, our capital budget and future capital requirements, the availability of funds and our ability to meet future capital needs, the realization of our deferred tax assets and the assumptions described in this prospectus and in the documents

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incorporated herein by reference underlying such forward-looking statements. Actual results and developments could differ materially from those expressed in or implied by such statements due to a number of factors, including those described in the context of such forward-looking statements, our ability to achieve operating efficiencies, industry pricing and technology trends, evolving industry standards, domestic and international regulatory matters, general economic and business conditions, the strength and financial resources of our competitors, our ability to find and retain skilled personnel, the political and economic climate in which we conduct operations, the risks discussed in "Risk Factors" and other risk factors described from time to time in our other documents and reports filed with the Securities and Exchange Commission. We do not assume any responsibility to update any of our forward-looking statements regardless of whether factors change as a result of new information, future events or for any other reason. We advise you to review any additional disclosures we make in our Form 10-KSB, Form 10-QSB and Form 8-K reports filed with the SEC.

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OUR BUSINESS

General

Since our founding in 1988, we have been a development stage company engaged primarily in developing a drug-delivery system which is designed to isolate the liver from the general circulatory system and to administer chemotherapy and other therapeutic agents directly to the liver. Our objectives are to establish the use of the Delcath system as the standard technique for delivering chemotherapy agents to the liver and to expand the Delcath technology so that it may be used in the treatment of other liver diseases and of cancers in other parts of the body.

A more complete description of our business is contained in our Annual Report on Form 10-KSB for the year ended December 31, 2003. See "Incorporation of Certain Documents by Reference."

Corporate Information

Our executive offices are located at 1100 Summer Street, Stamford, Connecticut 06905. Our telephone number at this location is (203) 323-8668. We maintain a corporate website located at <http://www.delcathsystems.com>. The contents of our website are not included as part of this prospectus.

THE OFFERING

Common stock offered by the Company	o 3,098,070 shares, consisting of: 1,898,070 shares issuable upon exercise of the currently outstanding 2003 Warrants; and 1,200,000 shares issuable upon exercise of the currently outstanding 2000 Warrants;
Common Stock offered by the Selling	o 240,000 shares issuable upon

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- Shareholders
- o exercise of the outstanding unit warrant held by Whale Securities Co., L.P., the managing underwriter of our initial public offering in 2000, or upon exercise of the 2000 Warrants that would be issued upon exercise of the unit warrants;
 - o 20,265 shares issued upon exercise of warrants issued in connection with a private placement to an accredited investor in 2002;
 - o 677,410 shares issuable upon exercise of the outstanding unit warrants held by Roan/Myers Associates, L.P., the managing underwriter of our 2003 public offering or its transferees, or upon exercise of the 2003 Warrants that would be issued upon exercise of the unit warrants;
 - o 1,859,361 shares issued in connection with private placements in 2004 to accredited investors or issuable upon exercise of warrants issued to such investors; and
 - o 74,374 shares issuable upon exercise of outstanding warrants issued to the placement agents in connection with the 2004 private placements to accredited investors.
- Shares outstanding at April 15, 2004
- o 11,498,626 shares
- Term of the 2000 Warrants
- o exercisable at any time until October 18, 2005.
- Term of the 2003 Warrants
- o exercisable at any time until May 20, 2008.
- Redemption
- o Our 2000 Warrants may be redeemed at a price of \$0.10 per warrant, upon 30 days' notice, at any time, provided that the closing bid quotation of our common stock on all 20 trading days ending on the third day prior to the day on which we give notice has been at

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least 150% of the then effective exercise price of the 2000 Warrants and we have received the written consent of Whale Securities Co., L.P., the lead underwriter of our 2000 public offering, for the redemption.

- o Commencing May 20, 2004, our 2003 Warrants may be redeemed at our option at a redemption price of \$0.01 per warrant provided (i) the average closing price of our common stock for the 20 trading days prior to the date of notice of redemption is at least \$1.24 and (ii) there is then an effective registration statement providing for the issuance of the underlying shares of common stock.
- o Commencing one year from the effective date of the registration statement of which this prospectus is a part, our 2004 Warrants may be redeemed at our option at a redemption price of \$0.10 per warrant provided (i) the average per share market value of our common stock for the 20 trading days prior to the date of notice of redemption is at least \$6.02, (ii) a registration statement providing for the issuance of the underlying shares of common stock is effective and has been effective for at least 60 consecutive calendar days and (iii) trading in our common stock has not been suspended by the SEC or the Nasdaq SmallCap Market.

Trading symbols of our publicly traded securities

- o Our common stock is traded on the Nasdaq SmallCap Market and the Boston Stock Exchange under the symbols "DCTH" and "DCT," respectively.
- o Our 2000 Warrants are traded on the Nasdaq SmallCap Marker and the Boston Stock Exchange under the symbols "DCTHW" and "DCT," respectively.
- o Our 2003 Warrants are traded on the OTC Bulletin Board and the Boston Stock Exchange under the symbols "DCTHZ" and "DCT&W," respectively.

Terms of our Common Stock

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As of April 15, 2004, there were 11,498,626 shares of our common stock outstanding. Assuming all outstanding 2004 Warrants, 2003 Warrants (including the unit warrants issued to the underwriters) and 2000 Warrants (including the unit warrants issued to the underwriters) are exercised for the issuance of 4,461,726 shares of common stock, there would be 15,960,352 shares of common stock outstanding.

Holders of common stock are entitled to one vote for each share on all matters submitted to a stockholder vote. Holders of common stock do not have cumulative voting rights. Therefore, holders of a majority of the shares of common stock voting for the election of directors can elect all of the directors. Holders of common stock are entitled to share in all dividends that the board of directors, in its discretion, declares from legally available funds. In any liquidation, dissolution or winding up of Delcath, each

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outstanding share entitles its holder to participate pro rata in all assets that remain after payment of liabilities and after providing for each class of stock, if any, having preference over the common stock.

Holders of common stock have no conversion, preemptive or other subscription rights and there are no redemption provisions applicable to the common stock. The rights of the holders of common stock are subject to any rights that may be fixed for holders of preferred stock, when and if any preferred stock is issued. All outstanding shares of common stock are, and the shares underlying all options and warrants will be, duly authorized, validly issued, fully paid and non-assessable upon our issuance of these shares.

Terms of the 2004 Warrants

As of the date hereof, there were 446,246 outstanding 2004 Warrants (including those issued to the placement agents in connection with the private placements). In addition, each 2004 Warrant entitles the holder thereof to purchase one share of common stock at a price of \$3.01 per share. The 2004 Warrants are redeemable as described above under "The Offering."

Terms of the 2003 Warrants

As of the date hereof, there were 1,898,070 outstanding 2003 Warrants. Each 2003 Warrant entitles the holder thereof to purchase one share of common stock at a price of \$0.775 per share, subject to adjustment, at any time up to May 20, 2008. In addition each unit warrant held by Roan/Myers Associates, L.P. or its transferees entitles the holder thereof to purchase five shares of our common stock and five 2003 Warrants for a purchase price of \$5.12. The 2003 Warrants issuable upon exercise of the unit warrant would have the same terms as the provisions of the other 2003 Warrants except that the exercise price of such warrants is \$1.28 per share. The 2003 Warrants are redeemable as described above under "The Offering."

We expect to give a notice of redemption of the outstanding 2003 Warrants as promptly as practicable following the date hereof. Under those circumstances

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any holder of a 2003 Warrant who does not exercise his 2003 Warrant by the date specified in the notice of redemption would receive a cash payment of \$0.01 per 2003 Warrant and would not thereafter be able to exercise the 2003 Warrant.

The 2003 Warrants were issued in registered form under a warrant agent agreement by and between Delcath and American Stock Transfer & Trust Company, as warrant agent. Reference is made to the warrant agent agreement, dated as of May 20, 2003, which was filed as Exhibit 4.8 to Amendment No. 3 to the Company's Registration Statement on Form SB-2 (No. 333-101661) for a complete description of the terms and conditions thereof.

Terms of the 2000 Warrants

As of the date hereof, there were 1,200,000 outstanding 2000 Warrants. Each 2000 Warrant entitles the holder thereof to purchase one share of common stock at a price of \$6.60 per share, subject to adjustment, at any time up to October 15, 2005. Each unit warrant held by Whale Securities Co., L.P., the underwriter for our 2000 initial public offering, entitles Whale Securities to purchase one share of common stock and one 2000 Warrant at a price of \$6.60. The 2000 Warrants issuable upon exercise of the unit warrant would have the same provisions as the other 2000 Warrants except that the exercise price of such warrants is \$10.50 per share. The 2000 Warrants are redeemable as described above under "The Offering."

The 2000 Warrants were issued in registered form under a warrant agreement between and among Delcath, Whale Securities Co., L.P. and American Stock Transfer & Trust Company, as warrant agent. Reference is made to the warrant agreement which was filed as Exhibit 4.2 to Amendment No. 5 to the Company's Registration Statement on Form SB-2 (No. 333-39470) for a complete description of the terms and conditions thereof.

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Transfer Agent

The transfer agent for our common stock, 2003 Warrants and 2000 Warrants is American Stock Transfer & Trust Company. The Company acts as the transfer agent for the 2004 Warrants and the unit warrants issued to Roan/Meyers Associates, L.P. and to Whale Securities Co., L.P.

USE OF PROCEEDS

In the event that all of our outstanding 2003 Warrants and 2000 Warrants, including unit warrants held by the underwriters of our 2003 and 2000 public offerings, are exercised, we estimate that the net proceeds from the sale by us of shares of our common stock being offered by this prospectus, after deducting the estimated expenses of this offering will be approximately \$9.3 million. However, the actual number of warrants exercised will depend on numerous factors beyond our control, including, without limitation, the market price of our common stock. Based on the recent trading prices of our common stock, we believe it is reasonable to assume that, if we call the 2003 Warrants for redemption in accordance with their terms, a substantial portion of the 2003 Warrants will be exercised. Whether other warrants are likely to be issued will probably depend on the market prices of our common stock between the date hereof and the

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expiration date of the particular warrant. We cannot estimate with reasonable accuracy the number of such warrants which may be exercised and the amount of proceeds to be received therefrom.

We expect that we would use any proceeds we receive upon exercise of any of the 2003 Warrants and the 2000 Warrants (including any exercise by the managing underwriters) for working capital purposes.

Although this prospectus does not cover our offer of common stock on exercise of the 2004 Warrants, including the 2004 Warrants held by the placement agents, we would also receive the proceeds of the exercise of the 2004 Warrants.

Prior to expenditure, proceeds will be invested principally in high grade, short-term, interest-bearing instruments.

SELLING SHAREHOLDERS

The following table sets forth the number and percentage of shares that are being registered by this Prospectus for the account of the entities listed below (the "Selling Shareholders"). The shares may be sold by the Selling Shareholders, or any of their assigns, pursuant to the exercise of some or all of our currently outstanding 2004 Warrants, 2003 Warrants and 2000 Warrants from time to time in the public marketplace. The Selling Shareholders are not obligated to exercise any of their warrants. All information contained in the table below is based on information provided to us by the Selling Shareholders, and we have not independently verified this information. The Selling Shareholders are not making any representation that the shares covered by this prospectus will be offered for sale. The Selling Shareholders may from time to time offer and sell pursuant to this prospectus any or all of the shares being registered for resale.

The applicable percentages of ownership are based on an aggregate of 11,498,626 shares of our common stock issued and outstanding as of April 15, 2004 plus, in the case of each Selling Shareholder, the number of shares such Selling Shareholder could acquire within 60 days on exercise of warrants. None of the Selling Shareholders has had a material relationship with us, or with our predecessors or affiliates, at any time during the past three years.

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Shareholder	Shares Beneficially Owned Prior to the Offering(1)	Shares Being Offered(2)	Shares Beneficially Own After the Offering	
-----	-----	-----	Number	Percent (%)
Whale Securities Co., L.P.	240,000 (3)	240,000	0	0%
Yenom Partners	20,265	20,265	0	0%
Roan/Myers Associates, L.P.	417,410 (4)	417,410	0	0%
Brian Herman	77,000 (5)	77,000	0	0%
James St. Clair	10,000 (6)	10,000	0	0%

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Robert Dombrowski	4,000	(7)	4,000	0	0%
Zohar Hod	4,000	(8)	4,000	0	0%
Carlos Corzine	12,500	(9)	12,500	0	0%
Sterling Financial Investment Group	12,500	(10)	12,500	0	0%
Imtiaz Khan	110,000	(11)	110,000	0	0%
Pryor, Counts & Co., Inc.	30,000	(12)	30,000	0	0%
AS Capital Partners, LLC	60,975	(13)	60,975	0	0%
Basso Equity Opportunity Fund Ltd.	125,000	(14)	125,000	0	0%
Basso Multi-Strategy Holding Fund Ltd	125,000	(15)	125,000	0	0%
Bristol Investment Fund, Inc.	142,635	(16)	142,635	0	0%
DKR Sound Shore Oasis Holding Fund Ltd.	259,340	(17)	259,340	0	0%
Enable Growth Partners LP	129,670	(18)	129,670	0	0%
Iroquois Capital LP	103,735	(19)	103,735	0	0%
OTAPE Investments LLC	77,805	(20)	77,805	0	0%
SRG Capital, LLC	155,605	(21)	155,605	0	0%
Truk International Fund, LP	2,980	(22)	2,980	0	0%
Truk Opportunity Fund, LP	28,275	(23)	28,275	0	0%
Vertical Ventures LLC	285,270	(24)	285,270	0	0%
H. C. Wainwright & Co., Inc.	29,926	(25)	29,926	0	0%
John R. Clarke	9,260	(26)	9,260	0	0%
Scott F. Koch	9,260	(27)	9,260	0	0%
Jimmie Sundstrom	645	(28)	645	0	0%
Robert Nathan	9,260	(29)	9,260	0	0%
Ari J. Fuchs	1,500	(30)	1,500	0	0%

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Shareholder	Shares Beneficially Owned Prior to the Offering(1)	Shares Being Offered(2)	Shares Beneficially Owned After the Offering	Percent ()
-----	-----	-----	-----	-----
Stonestreet LP	155,601 (31)	155,601	0	0%
Omicron Master Trust	207,470 (32)	207,470	0	0%
MZM Capital Management	14,523 (33)	14,523	0	0%

(1) Unless otherwise noted, all of the shares shown are held by individuals or entities possessing sole voting and investment power with respect to such shares. Shares not outstanding but deemed beneficially owned by virtue of the right of a person to acquire them within 60 days, by the exercise of options or warrants or conversion of preferred stock, are deemed outstanding in determining the number of shares beneficially owned by such person. Because the Selling Shareholders may choose not to sell any of the shares offered by this prospectus, and because there are currently no agreements, arrangements or undertakings with respect to the sale of any of the shares of common stock, we cannot estimate the number of shares that

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the Selling Shareholders will hold after completion of the offering. For purposes of this table, we have assumed that the Selling Shareholders will have sold all of the shares covered by this prospectus upon the completion of the offering.

- (2) Assumes the sale of all shares of common stock issuable upon the exercise of the 2004 Warrants, the 2003 Warrants and the 2000 Warrants issued to the Selling Shareholders in connection with our 2004 private placements (including the warrants issued to the placement agents) and our 2003 and 2000 public offerings (including the unit warrants issued to the managing underwriters).
- (3) Consists of 120,000 shares that could be purchased upon exercise of unit warrants and 120,000 shares that could be purchased on exercise of the 2000 Warrants issuable on exercise of the unit warrants.
- (4) Consists of 208,705 shares that could be purchased upon exercise of unit warrants and 208,705 shares that could be purchased on exercise of the 2003 Warrants issuable on exercise of the unit warrants.
- (5) Includes 31,000 shares that could be purchased upon exercise of unit warrants and 38,500 shares that could be purchased on exercise of the 2003 Warrants issuable on exercise of the unit warrants.
- (6) Includes 5,000 shares that could be purchased on exercise of the 2003 Warrants issued on exercise of the unit warrants.
- (7) Includes 2,000 shares that could be purchased on exercise of the 2003 Warrants issued on exercise of the unit warrants.
- (8) Consists of 2,000 shares that could be purchased upon exercise of unit warrants and 2,000 shares that could be purchased on exercise of the 2003 Warrants issuable on exercise of the unit warrants.
- (9) Consists of 6,250 shares that could be purchased upon exercise of unit warrants and 6,250 shares that could be purchased on exercise of the 2003 Warrants issuable on exercise of the unit warrants.
- (10) Consists of 6,250 shares that could be purchased upon exercise of unit warrants and 6,250 shares that could be purchased on exercise of the 2003 Warrants issuable on exercise of the unit warrants.

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- (11) Consists of 55,000 shares that could be purchased upon exercise of unit warrants and 55,000 shares that could be purchased on exercise of the 2003 Warrants issuable on exercise of the unit warrants.
- (12) Includes 15,000 shares that could be purchased on exercise of the 2003 Warrants issued on exercise of the unit warrants.
- (13) Includes 12,195 shares that could be purchased upon exercise of 2004

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Warrants.

- (14) Includes 25,000 shares that could be purchased upon exercise of 2004 Warrants.
- (15) Includes 25,000 shares that could be purchased upon exercise of 2004 Warrants.
- (16) Includes 28,527 shares that could be purchased upon exercise of 2004 Warrants.
- (17) Includes 51,868 shares that could be purchased upon exercise of 2004 Warrants.
- (18) Includes 25,934 shares that could be purchased upon exercise of 2004 Warrants.
- (19) Includes 20,747 shares that could be purchased upon exercise of 2004 Warrants.
- (20) Includes 15,561 shares that could be purchased upon exercise of 2004 Warrants.
- (21) Includes 31,121 shares that could be purchased upon exercise of 2004 Warrants.
- (22) Includes 596 shares that could be purchased upon exercise of 2004 Warrants.
- (23) Includes 5,655 shares that could be purchased upon exercise of 2004 Warrants.
- (24) Includes 57,054 shares that could be purchased upon exercise of 2004 Warrants.
- (25) Consists of shares that could be purchased upon exercise of 2004 Warrants. H. C. Wainwright & Co., Inc. ("HCW") received these securities as compensation for its services as placement agent in connection with the 2004 private placement.
- (26) Consists of shares that could be purchased upon exercise of 2004 Warrants. Mr. Clarke, President of HCW, received these warrants from HCW in the ordinary course of business and at the time of receiving the securities had no agreements or understandings, directly or indirectly, with any person to distribute them. HCW had received these securities as compensation for its services as placement agent in the ordinary course of business and at the time of receiving the securities had no agreements or understandings, directly or indirectly, with any person to distribute them.
- (27) Consists of shares that could be purchased upon exercise of 2004 Warrants. Mr. Koch, a Managing Director of HCW, received these warrants from HCW in the ordinary course of business and at the time of receiving the securities had no agreements or understandings, directly or indirectly, with any person to distribute them. HCW had received these securities as compensation for its services as placement agent in the ordinary course of business and at the time of receiving the securities had no agreements or understandings, directly or indirectly, with any person to distribute them.
- (28) Consists of shares that could be purchased upon exercise of 2004 Warrants.

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Mr. Sundstrom, a Managing Director of HCW, received these warrants from HCW in the ordinary course of business and at the time of receiving the securities had no agreements or understandings, directly or indirectly, with any person to distribute them. HCW had received these securities as compensation for its services as placement agent in the ordinary course of business and at the time of receiving the

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securities had no agreements or understandings, directly or indirectly, with any person to distribute them.

- (29) Consists of shares that could be purchased upon exercise of 2004 Warrants. Mr. Nathan, Senior Vice President of HCW, received these warrants from HCW in the ordinary course of business and at the time of receiving the securities had no agreements or understandings, directly or indirectly, with any person to distribute them. HCW had received these securities as compensation for its services as placement agent in the ordinary course of business and at the time of receiving the securities had no agreements or understandings, directly or indirectly, with any person to distribute them.
- (30) Consists of shares that could be purchased upon exercise of 2004 Warrants. Mr. Fuchs, an employee of HCW, received these warrants from HCW in the ordinary course of business and at the time of receiving the securities had no agreements or understandings, directly or indirectly, with any person to distribute them. HCW had received these securities as compensation for its services as placement agent in the ordinary course of business and at the time of receiving the securities had no agreements or understandings, directly or indirectly, with any person to distribute them.
- (31) Includes 31,120 shares that could be purchased upon exercise of 2004 Warrants.
- (32) Includes 41,494 shares that could be purchased upon exercise of 2004 Warrants.
- (33) Consists of shares that could be purchased upon exercise of 2004 Warrants issued to a placement agent.

PLAN OF DISTRIBUTION

The common stock offered by us hereby is issuable by us upon the exercise of some or all of our currently outstanding 2003 Warrants and 2000 Warrants. The balance of the common stock offered hereby may be offered for sale and sold from time to time by the persons or entities described in this prospectus under the heading "Selling Shareholders," or by pledgees, donees, transferees or other successors in interest after the effective date of the registration statement of which this prospectus is a part.

The Selling Shareholders, or their pledgees, donees, transferees or other successors in interest, will act independently of us and of each other in making decisions with respect to the timing, manner and size of each sale. Such sales may be made on the Nasdaq SmallCap Market or otherwise, at prevailing prices and on terms then prevailing or at prices related to the then market price, or in negotiated transactions.

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The manner in which the common stock offered hereby may be sold by the Selling Shareholders include, without limitation, the following:

- o block trades in which the broker-dealer(s) engaged by any of the Selling Shareholders will attempt to sell common stock as agent but may position or resell a portion of the block as principal to facilitate the transaction;
- o purchases by the broker-dealer(s) as principals and resale by such broker-dealer(s) for their account pursuant to this prospectus;
- o ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- o negotiated transactions;

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- o a combination of any such methods of sale;
- o through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise; or
- o any other method permitted pursuant to applicable law.

In effecting sales, broker-dealers engaged by the Selling Shareholders may arrange for other broker-dealers to participate.

In order to comply with the securities laws of certain states, if applicable, the common stock offered hereby may be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the common stock offered hereby may not be sold unless it has been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with by us and the Selling Shareholders.

The Selling Shareholders and any brokers, dealers, agents or underwriters who participate in the sale of the common stock offered hereby may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, and the commissions paid or discounts allowed to any such brokers, dealers, agents or underwriters, in addition to any profits received on resale of the common stock offered hereby, if any such broker, dealer or agent should purchase any common stock offered hereby as a principal, may be deemed to be underwriting discounts or commissions under the Securities Act.

Under applicable rules under the Securities Exchange Act, any person engaged in the distribution of the common stock may not simultaneously engage in market making activities with respect to our common stock for a period of one business day prior to the commencement of such distribution. In addition and without limiting the foregoing, the Selling Shareholders will be subject to applicable provisions of the Securities Exchange Act, and the rules thereunder, including without limitation Regulation M, which provisions may limit the timing of purchases and sales of common stock by the Selling Shareholders.

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Although we will receive the proceeds of the exercise of the 2003 Warrants and the 2000 Warrants (see "Use of Proceeds"), we will not receive any part of the proceeds from the sale of the common stock offered hereby by the Selling Shareholders. We are required to pay all fees and expenses incident to the registration of the shares. However, we are not obligated to bear, and will not bear, any underwriting discounts or commissions relating to the use by the Selling Shareholders of an underwriter in connection with the disposition of the common stock offered hereby by the Selling Shareholders.

We cannot assure you that the Selling Shareholders will sell any or all of the common stock offered by them hereby. The common stock offered hereby by the Selling Shareholders also may be sold pursuant to an available exemption from the registration requirements of the Securities Act, including without limitation Rule 144 promulgated thereunder. The sale of common stock by "affiliates" (as defined in Rule 144(a) under the Securities Act) are subject to the volume and manner of sale restrictions set forth in Rule 144.

We have agreed to indemnify the Selling Shareholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the common stock offered hereby has been passed upon for Delcath by Murtha Cullina, LLP, New Haven, Connecticut, counsel for Delcath.

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EXPERTS

Our financial statements as of December 31, 2003 and for each of the two years in the period ended December 31, 2003 and cumulative from inception (August 5, 1988) to December 31, 2003, appearing in our Annual Report on Form 10-KSB for the year ended December 31, 2003 have been audited by Eisner LLP, independent registered public accounting firm, as set forth in their report thereon dated February 11, 2004 except as to Note 6, the date of which is March 22, 2004, included therein and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

WHERE CAN YOU FIND MORE INFORMATION

We file periodic reports under the Securities Exchange Act of 1934, as amended, that include information about us. We have also filed with the U.S. Securities and Exchange Commission in Washington, D.C., a registration statement on Form S-3 under the Securities Act with the respect to the shares of common stock offered by this prospectus. The registration statement relates to the common stock offered by the Company upon exercise of the 2003 Warrants and the 2000 Warrants (including the warrants held by the managing underwriters of our public offerings) and the resale of such shares, the shares we sold in our private placements in 2002 and 2004 and the shares we would issue upon exercise of the 2004 Warrants from time to time by the Selling Shareholders.

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This prospectus does not contain all the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to us and the common stock, we refer you to the registration statement, the documents incorporated herein and the exhibits and schedules filed therewith. The registration statement and the exhibits forming a part thereof may be inspected without charge at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and copies of such materials can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information regarding the public reference facilities. In addition, the SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>.

Statements made in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the registration statement, we refer you to the exhibit to the registration statement referencing the item for a more complete description of the matter involved, and each such statement is qualified in its entirety by reference thereto. You may read and obtain a copy of the registration statement and its exhibits and schedules from the SEC, as described in the preceding paragraph.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents that we have filed with the Securities and Exchange Commission are incorporated into this prospectus by reference:

1. Our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003, filed on March 30, 2004;

2. Our definitive Proxy Statement dated April 29, 2004 distributed in connection with our Annual Meeting of Shareholders to be held on June 15, 2004;

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3. Our Quarterly Report on Form 10-QSB for the quarter ended March 31, 2004, filed on May 17, 2004;

4. The description of our common stock contained under the caption "Description of Our Capital Stock and Other Securities - Units" in the Prospectus included in the Registrant's Registration Statement on Form SB-2 (No. 333-101661), declared effective on May 15, 2003.

5. The description of our 2003 Redeemable Common Stock Purchase Warrants contained under the caption "Description of Our Capital Stock and Other Securities - Warrants - 2003 Warrants" in the Prospectus included in the Registrant's Registration Statement on Form SB-2 (No. 333-101661).

6. The description of our 2000 Redeemable Common Stock Purchase Warrants contained under the caption "Description of Our Capital Stock and Other Securities - Warrants - 2000 Warrants" in the Prospectus included in the

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Registrant's Registration Statement on Form SB-2 (No. 333-101661).

All documents that we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and prior to the filing of a post-effective amendment to the registration statement of which this prospectus is a part that indicates that all the common stock offered has been sold, or which deregisters all common stock then remaining unsold hereunder, shall be incorporated by reference into this prospectus and to be a part hereof (and of the registration statement) from the date of filing of such documents. Any statement contained in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

To the extent that an independent auditor audits and reports on our financial statements issued at future dates and consents to the use of its reports thereon, such financial statements shall also be incorporated by reference in this prospectus (and the registration statement) in reliance upon their reports and their authority as experts in accounting and auditing.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon written or oral request, a copy of any and all information that has been incorporated by reference herein (other than exhibits to such information, unless such exhibits are specifically incorporated into any such information). Requests should be directed to us at 1100 Summer Street, Stamford, Connecticut 06905, Attention: Paul M. Feinstein, Chief Financial Officer. Mr. Feinstein may also be contacted at (203) 323-8668.

DISCLOSURE OF THE SEC'S POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our certificate of incorporation provides that we must, to the fullest extent permitted or required by the Delaware General Corporation Law, indemnify any and all persons whom we have the power to indemnify from and against any and all of the expenses, liabilities or other matters referred to in or covered by the Delaware General Corporation Law. The indemnification provided for in our certificate of incorporation is not exclusive of any other rights to which those indemnified may be entitled under any law, agreement, vote of shareholders or disinterested directors or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

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Part II

INFORMATION NOT REQUIRED IN PROSPECTUS

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Item 14. Other Expenses of Issuance and Distribution

The following table sets forth an itemization of all estimated expenses payable in connection with the distribution of the securities being registered. All of the expenses set forth below are estimates except for the SEC registration fee. All of these expenses will be paid by the Company.

SEC registration fee	\$ 2,187
Legal fees and expenses	37,000
Accounting fees and expenses	7,500
Printing expenses	3,000
Miscellaneous	313

Total	\$50,000
	=====

Item 16. Exhibits

Number	Description
3.1	Amended and Restated Certificate of Incorporation of Delcath Systems, Inc. (incorporated by reference to Exhibit 3.1 to Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2002 (File No. 001-16133)).
3.2	Amended and Restated By-Laws of Delcath Systems, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to Registrant's Registration Statement on Form SB-2 (Registration No. 333-39470)).
4.1	Form of Underwriter's Unit Warrant Agreement (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to Registrant's Registration Statement on Form SB-2 (Registration No. 333-101661)).
4.2	Form of Warrant Agent Agreement by and between Delcath Systems, Inc. and American Stock Transfer & Trust Company, as warrant agent with respect to the 2003 Warrants (incorporated by reference to Exhibit 4.8 to Amendment No. 3 to Registrant's Registration Statement on Form SB-2 (No. 333-101661)).
4.3	Form of Warrant Agreement by and between Delcath Systems, Inc. and Whale Securities Co., L.P. (incorporated by reference to Exhibit 4.2 to Amendment No. 5 to Registrant's Registration Statement on Form SB-2 (Registration No. 333-39470)).
4.4	Form of Warrant Agreement by and between American Stock Transfer & Trust Company, as warrant agent, Whale Securities Co., L.P. and Delcath Systems, Inc. (incorporated by reference to Exhibit 4.3 to Amendment No. 5 to Registrant's Registration Statement on Form SB-2 (Registration No. 333-39470)).
4.5	Rights Agreement, dated October 30, 2001, by and between Delcath Systems, Inc. and American Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.7 to Registrant's Form 8-A dated November 12, 2001 (Commission File No. 001-16133)).

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- 4.6 Form of Warrant to Purchase Shares of Common Stock issued pursuant to the Common Stock Purchase Agreement dated as of March 19, 2004 (incorporated by reference to Exhibit 4 to Registrant's Current Report on Form 8-K dated March 19, 2004).
- 5 Opinion of Murtha Cullina LLP.
- 10.1 Common Stock Purchase Agreement dated as of March 19, 2004 by and among Delcath Systems, Inc. and the Purchasers Listed on Exhibit A thereto (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated March 19, 2004).
- 10.2 Registration Rights Agreement dated as of March 19, 2004 by and among Delcath Systems, Inc. and the Purchasers Listed on Schedule I thereto (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K dated March 19, 2004).
- 23.1 Consent of Eisner LLP.
- 23.2 Consent of Murtha Cullina LLP (included in Exhibit 5).
- 24 Power of Attorney.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this amendment to its registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Stamford, State of Connecticut this 9th day of June, 2004.

Delcath Systems, Inc.

By: _____ /s/ M. S Koly

Name: M. S Koly
Title: President and Chief Executive Officer

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Pursuant to the requirements of the Securities Act of 1933, this amendment to the registration statement has been signed by the following persons in the capacities and on the date indicated.

Name	Title	
M. S. Koly -----	President and Chief Executive Officer and Director (Principal Executive Officer))))
Paul M. Feinstein -----	Chief Financial Officer (Principal Financial and Accounting Officer))))
		By: /s/ M. S. Koly ----- Attorney-in-Fact
Samuel Herschkowitz -----	Chairman and Director))
Mark A. Corigliano -----	Director)))
Daniel Isdaner -----	Director)))
Victor Nevins -----	Director)))

) Dated: June 9, 2004

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EXHIBIT INDEX

Number	Description
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- 4.6 Form of Warrant to Purchase Shares of Common Stock issued pursuant to the Common Stock Purchase Agreement dated as of March 19, 2004 (incorporated by reference to Exhibit 4 to Registrant's Current Report on Form 8-K dated March 19, 2004).
- 5 Opinion of Murtha Cullina LLP.
- 10.1 Common Stock Purchase Agreement dated as of March 19, 2004 by and among Delcath Systems, Inc. and the Purchasers Listed on Exhibit A thereto (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated March 19, 2004).
- 10.2 Registration Rights Agreement dated as of March 19, 2004 by and among Delcath Systems, Inc. and the Purchasers Listed on Schedule I thereto (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K dated March 19, 2004).
- 23.1 Consent of Eisner LLP.
- 23.2 Consent of Murtha Cullina LLP (included in Exhibit 5).
- 24 Power of Attorney.

m">Financing activities

Purchases of Company common stock

(88)

Excess tax benefit from stock-based compensation

4 8

Proceeds from employee stock plans

18 40

Net cash provided by (used in) financing activities

22 (40)

Effect of exchange rate changes on cash and cash equivalents

2 3

Increase (decrease) in cash and cash equivalents

133 (64)

Cash and cash equivalents at beginning of period

947 810

Cash and cash equivalents at end of period

\$1,080 \$746

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. BASIS OF PRESENTATION**

The accompanying Condensed Consolidated Financial Statements have been prepared by NCR Corporation (NCR, the Company, we or us) without audit pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments, except for the accounting change described below) necessary for a fair statement of the consolidated results of operations, financial position, and cash flows for each period presented. The unaudited Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2006 has been retrospectively adjusted for the accounting change described below. The consolidated results for the interim periods are not necessarily indicative of results to be expected for the full year. These financial statements should be read in conjunction with NCR's Form 10-K for the year ended December 31, 2006.

Strategic Separation On January 5, 2007, NCR announced its intention to separate into two independent publicly traded companies through the spin-off of 100% of the Company's Teradata Data Warehousing business to holders of shares of NCR stock. The transaction, expected to be tax-free to NCR and its shareholders, will enable the two public companies to better focus on their distinct customer bases, business strategies and operational needs.

The stock distribution ratio for the Teradata Data Warehousing spin-off is expected to be one-for-one, and the separation is expected to be completed in the third quarter of 2007. Consummation of the proposed separation is subject to certain conditions, including final approval by NCR's Board of Directors, receipt of a ruling from the Internal Revenue Service (IRS) with respect to the tax-free status of the spin-off, the absence of any material changes or developments, and the filing and acceptance of registration statements with the Securities and Exchange Commission. The separation will not require a vote by NCR shareholders.

In connection with the proposed separation, in the first quarter of 2007, the Company incurred \$2 million of costs primarily for legal, accounting, and other professional and consulting fees, which have been recognized as selling, general and administrative expense in the Condensed Consolidated Statement of Operations. In total, the Company expects to incur \$50 to \$65 million of nonrecurring costs related to the transaction, with the possibility that such costs could be higher. These nonrecurring costs are expected to consist of, among other things, legal fees, tax and accounting fees, professional advisory services, employee costs and other costs associated with executing the separation transaction.

Accounting Change In the second quarter of 2006, the Company changed its method of accounting for reworkable service parts used in its Customer Services maintenance business. The previous accounting method was to classify reworkable service parts as long-lived assets and to depreciate the parts over their estimated useful lives (three to six years). The Company's new method of accounting is to classify reworkable service parts as inventory and to expense the cost of the parts when they are placed in customer equipment under maintenance contracts.

The Company concluded that the impact of the change in accounting was not material to previously reported results, and treated the change in method of accounting for reworkable service parts as a change in accounting principle in accordance with Statement of Financial Accounting Standards No. 154 (SFAS 154), *Accounting Changes and Error Corrections*. SFAS 154 requires that such accounting changes be made on a retrospective basis and that the unaudited Condensed Consolidated Financial Statements be adjusted to apply the inventory method retrospectively to all prior periods.

As a result of applying the accounting change retrospectively, expenditures, net of proceeds, for reworkable service parts of \$26 million for the three months ended March 31, 2006 that was part of investing activities, is now reflected in the accompanying unaudited Condensed Consolidated Statement of Cash Flows as a component of operating activities. The impact of the accounting change on previously reported income from operations, net income and earnings per share was not material.

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Use of Estimates The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates.

2. SUPPLEMENTAL FINANCIAL INFORMATION

In millions	Three Months Ended March 31	
	2007	2006
Comprehensive Income		
Net income	\$ 34	\$ 41
Other comprehensive income, net of tax:		
Unrealized (loss) gain on securities	(1)	1
Unrealized loss on derivatives	(1)	(2)
Changes in pension, postemployment and postretirement benefit liabilities	23	
Currency translation adjustments	6	11
Other adjustments		3
Total comprehensive income	\$ 61	\$ 54

In millions	March 31,	December 31,
	2007	2006
Inventories		
Work in process and raw materials	\$ 116	\$ 106
Finished goods	231	215
Service parts	370	356
Total inventories, net	\$ 717	\$ 677

3. NEW ACCOUNTING PRONOUNCEMENTS

FASB Interpretation No. 48 In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing thresholds and attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. The Company adopted the provisions of FIN 48 on January 1, 2007. See Note 9 for further discussion of the adoption of FIN 48.

Statement of Financial Accounting Standards No. 157 In September 2006, the FASB issued SFAS No. 157 (SFAS 157), *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 157 on our financial condition and results of operations.

Statement of Financial Accounting Standards No. 159 In February 2007, the FASB issued SFAS No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159 on our financial condition and results of operations.

Table of Contents**4. MANUFACTURING REALIGNMENT**

On January 11, 2007, NCR announced plans to realign its global manufacturing operations. These include:

Reducing manufacturing operations and shifting the focus of the Dundee, Scotland, facility to new product introductions and the manufacturing of high-complexity/low-volume solutions

Meeting volume demand in Europe, Middle East, Africa and Asia-Pacific through lower-cost manufacturing facilities in Hungary, China and India

Moving to a contract manufacturing model with Solectron in the Americas

The realignment is expected to reduce overall operating costs and to free capital to invest in revenue-generating programs in sales, engineering and market development. The Company will continue to focus resources on engineering and advanced development, product management and marketing in affected locations where the manufacturing realignment is anticipated to result in reductions in manufacturing employment. As a result of these changes, the Company recorded \$46 million for employee severance and other termination benefits in cost of products in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2007. Of the \$46 million total, \$37 million was recorded as a discrete cost in accordance with Statement of Financial Accounting Standards No. 112, *Employers Accounting for Postemployment Benefits*, when the liability was determined to be probable and reasonably estimable. The remaining \$9 million was recorded in accordance with Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*.

The following table summarizes the costs recorded for these activities and the remaining liability as of March 31, 2007, which is included on the Condensed Consolidated Balance Sheet in other current liabilities. The cash expenditures necessary to satisfy the remaining obligations will be primarily paid over the balance of 2007.

In millions	Employee Severance and Other Benefits
Restructuring reserve liability	
Beginning balance as of December 31, 2006	\$
Costs recognized during the first three months of 2007	46
Payments during the first three months of 2007	
Ending balance as of March 31, 2007	\$ 46

The Company expects to incur an additional \$15 to \$20 million in restructuring costs in 2007 for potential impairment costs associated with stranded assets, lease termination costs, employee retention payouts and other costs that are a direct result of the restructuring activity.

The costs for these activities primarily relate to the Company's Financial Self Service segment. The operating results by segment, reported under Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information*, excludes the impact of these costs, which is consistent with the manner by which management assesses the performance and views the results of each segment.

Table of Contents**5. IDENTIFIABLE INTANGIBLE ASSETS**

NCR's identifiable intangible assets, reported under Other Assets in the unaudited Condensed Consolidated Balance Sheets, were specifically identified when acquired, and are deemed to have finite lives. These intangible assets are being amortized over original periods ranging from four to ten years. The gross carrying amount and accumulated amortization for NCR's identifiable intangible assets were as follows:

In millions	Original	March 31, 2007		December 31, 2006	
	Amortization Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Identifiable intangible assets					
Non-compete arrangements	4 - 5	\$ 5	\$ (1)	\$ 5	\$ (1)
Intellectual property	4 - 10	62	(24)	61	(21)
Total identifiable intangible assets		\$ 67	\$ (25)	\$ 66	\$ (22)

The aggregate amortization expense (actual and estimated) for identifiable intangible assets for the following periods is:

In millions	Three months ended March 31,		For the year ended (estimated)				
	2007	2007	2007	2008	2009	2010	2011
Amortization expense	\$ 3	\$ 13	\$ 12	\$ 10	\$ 6	\$ 2	\$ 2

6. STOCK COMPENSATION PLANS

As of March 31, 2007, the Company's primary types of share-based compensation were stock options and restricted stock. The Company recorded stock-based compensation expense for the following periods as follows:

In millions	Three Months Ended March 31	
	2007	2006
Stock options	\$ 5	\$ 4
Restricted stock	3	3
Total stock-based compensation (pre-tax)	8	7
Tax benefit	(2)	(2)
Total stock-based compensation, net of tax	\$ 6	\$ 5

Stock-based compensation expense for the first quarter of 2007 was computed using the fair value of options as calculated using the Black-Scholes option-pricing model. The weighted average fair value of grants was estimated based on the below weighted average assumptions and was \$16.93 for the three months ended March 31, 2007 and \$15.64 for the three months ended March 31, 2006.

Three Months Ended March 31	
2007	2006

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Dividend yield		
Risk-free interest rate	4.51%	4.58%
Expected volatility	32.6%	35.7%
Expected holding period (years)	5.0	5.3

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Expected volatility incorporates a blend of both historical volatility of the Company's stock over a period equal to the expected term of the options and implied volatility from traded options on the Company's stock, as management believes this is more representative of prospective trends. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected holding period represents the period of time that options are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the five-year U.S. Treasury yield curve in effect at the time of grant.

7. EMPLOYEE BENEFIT PLANS

Components of net periodic benefit cost (income) of the Company's pension plans for the three months ended March 31 are as follows:

In millions	U.S. Pension Benefits		International Pension Benefits		Total Pension Benefits	
	2007	2006	2007	2006	2007	2006
Net service cost	\$	\$ 12	\$ 10	\$ 10	\$ 10	\$ 22
Interest cost	46	45	22	20	68	65
Expected return on plan assets	(61)	(60)	(31)	(29)	(92)	(89)
Settlement charge				1		1
Special Termination Benefit		9				9
Amortization of:						
Prior service cost			3	1	3	1
Actuarial loss	1	13	21	22	22	35
Net benefit (income) cost	\$ (14)	\$ 19	\$ 25	\$ 25	\$ 11	\$ 44

The net periodic benefit cost of the postretirement plan for the three months ended March 31 was:

In millions	Postretirement Benefits	
	2007	2006
Interest cost	\$ 2	\$ 2
Amortization of:		
Prior service cost	(3)	(3)
Actuarial loss	1	2
Net benefit cost	\$	\$ 1

The net periodic benefit cost of the postemployment plan for the three months ended March 31 was:

In millions	Postemployment Benefits	
	2007	2006
Net service cost	\$ 8	\$ 8
Interest cost	5	5
Amortization of:		
Prior service cost		
Actuarial loss	6	7
Net benefit cost	\$ 19	\$ 20
Restructuring severance cost (see Note 4)	37	
Total postemployment cost	\$ 56	\$ 20

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Employer Contributions

Pension For the three months ended March 31, 2007, NCR contributed approximately \$17 million to its international pension plans, and \$2 million to its executive pension plan. NCR anticipates contributing an additional \$85 million to its international pension plans in 2007 for a total of \$102 million, and \$6 million to its executive pension plan in 2007 for a total of \$8 million. NCR does not anticipate making cash contributions to its U.S. qualified pension plan in 2007.

Postretirement For the three months ended March 31, 2007, the Company made \$4 million in contributions to its U.S. postretirement plan. NCR anticipates contributing an additional \$16 million to its U.S. postretirement plan for a total of \$20 million in 2007.

Postemployment For the three months ended March 31, 2007, NCR contributed approximately \$10 million to its postemployment plans. NCR anticipates contributing an additional \$44 million to its postemployment plans in 2007 for a total of \$54 million. NCR also plans on contributing an additional \$37 million for benefit payments relating to the previously announced manufacturing realignment.

8. COMMITMENTS AND CONTINGENCIES

In the normal course of business, NCR is subject to various regulations, proceedings, lawsuits, claims and other matters, including actions under laws and regulations related to the environment and health and safety, among others. NCR believes the amounts provided in its condensed consolidated financial statements, as prescribed by GAAP, are adequate in light of the probable and estimable liabilities. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various lawsuits, claims, legal proceedings and other matters, including the Fox River environmental matter discussed below, and to comply with applicable laws and regulations, will not exceed the amounts reflected in NCR's condensed consolidated financial statements or will not have a material adverse effect on its condensed consolidated results of operations, financial condition or cash flows. Any costs that may be incurred in excess of those amounts provided as of March 31, 2007 cannot currently be reasonably determined.

Environmental Matters NCR's facilities and operations are subject to a wide range of environmental protection laws, and NCR has investigatory and remedial activities underway at a number of facilities that it currently owns or operates, or formerly owned or operated, to comply, or to determine compliance, with such laws. Also, NCR has been identified, either by a government agency or by a private party seeking contribution to site clean-up costs, as a potentially responsible party (PRP) at a number of sites pursuant to various state and federal laws, including the Federal Water Pollution Control Act; the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA); and comparable state statutes.

NCR is one of eight entities that have been formally notified by governmental and other entities (such as local Native American tribes) that they are PRPs for environmental claims under CERCLA and other statutes arising out of the presence of polychlorinated biphenyls (PCBs) in sediments in the lower Fox River and in the Bay of Green Bay, in Wisconsin. NCR was identified as a PRP because of alleged PCB discharges from two carbonless copy paper manufacturing facilities it previously owned, which are located along the Fox River. Some parties contend that NCR is also responsible for PCB discharges from paper mills owned by other companies because carbonless paper manufactured by NCR was purchased by those mills as a raw material for their paper making processes. NCR sold the facilities in 1978 to Appleton Papers Inc. (API), which has also been identified as a PRP. The other Fox River PRPs include P.H. Glatfelter Company, Fort James Operating Company (a subsidiary of Georgia-Pacific Corp., which was recently acquired by Koch Industries), WTM I Co. (formerly Wisconsin Tissue Mills, now owned by Chesapeake Corporation), Riverside Paper Corporation, Sonoco-U.S. Paper Mills, Inc. (owned by Sonoco Products Company), and Menasha Corporation.

At March 31, 2007, the reserve for the Fox River matter was \$74 million compared to \$75 million at December 31, 2006. The decrease in the reserve is due to the payment of recurring costs related to the Fox River matter, which reduce the reserve. NCR regularly re-evaluates the assumptions used in determining the appropriate reserve for the Fox River matter as additional information becomes available and, when warranted, makes appropriate adjustments.

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In July 2003, USEPA and Wisconsin Department of Natural Resources (WDNR) issued their final clean-up plan (known as a Record of Decision, or ROD) for the largest portion of the Fox River. The ROD addressed the lower part of the Fox River and portions of Green Bay, where USEPA and WDNR (the Governments) estimate the bulk of the sediments that need to be remediated are located. In two portions of the lower part of the Fox River covered by the ROD Operable Units (OUs) 3 and 4 the Governments selected large-scale dredging as the clean-up approach. In the ROD, the Governments estimated that approximately 6.5 million cubic yards of sediment would be removed from these portions at an estimated cost of approximately \$284 million. The Governments also identified capping the river bed with appropriate materials as a contingent remedy to be evaluated during the remedial design process. For Green Bay, or OU-5, the Governments selected monitored natural attenuation as the clean-up approach at an estimated cost of approximately \$40 million. The Governments also indicated that some limited dredging near the mouth of the river might be required, but this will be determined during the design stage of the project. Earlier, in January 2003, the Governments issued their ROD for the upper portions of the Fox River OUs 1 and 2. Combining the cost estimates from both RODs, it appeared that the Governments expected the selected remedies for all five OUs to cost approximately \$400 million, exclusive of contingencies.

By letter dated September 30, 2003, the Governments notified NCR and seven other PRPs of their potential liability for remediation of the lower portions of the Fox River and requested that one or more of the PRPs enter into an agreement with the Governments to perform the engineering design work for the clean-up of OUs 2-5. In response, in 2004, NCR and Fort James entered into an Administrative Order on Consent (AOC) with the Governments to perform this design work, which is not expected to be completed until 2008. In November 2006, the Governments issued for public comment a proposal to amend the ROD for the lower river. The proposal calls for a combination of dredging and capping to remediate the PCB-containing sediments, as opposed to using dredging throughout the lower river. The public comment period for the proposed amendment ended in mid-January, 2007 and the Governments are expected to make a decision on the proposed amendment later in 2007. By letter received February 14, 2007, the Governments again notified NCR and seven other PRPs of their potential liability for remediation and requested that the parties contact the Governments if they are prepared to enter into negotiations over a consent decree for implementing the remedy for the lower river. The letter asked that interested PRPs make a good faith settlement offer by April 1, 2007. In late March, however, the Governments indicated they did not require a good faith offer at this time. Instead, they asked the PRPs to respond by April 9 as to whether they would be willing to participate in a work group process with Government parties to address settlement issues, and whether the PRPs would seek to resolve their allocation issues on a timely basis. NCR and the other PRPs notified the Governments on April 9 that they are prepared to move forward on this basis, and work group meetings are being scheduled. While there is ongoing debate within the scientific, regulatory, legal, public policy and legislative communities over how to properly manage large areas of contaminated sediments, NCR believes that the remedy to be implemented at the Fox River will address in excess of 7 million cubic yards of sediment.

The extent of NCR's potential liability remains subject to many uncertainties. NCR's eventual liability which is expected to be paid out over a period of at least ten to twenty years will depend on a number of factors. In general, the most significant factors include: (1) the total clean-up costs for the site; (2) the total natural resource damages for the site; (3) the share NCR and API will jointly bear of the total clean-up costs and natural resource damages as former and current owners of paper manufacturing facilities located along the Fox River; (4) the share NCR will bear of the joint NCR/API payments for clean-up costs and natural resource damages; and (5) NCR's transaction costs to defend itself in this matter. In establishing the reserve, NCR attempts to estimate a range of reasonably possible outcomes for each of these factors, although each range is itself highly uncertain. NCR uses its best estimate within the range, if that is possible. Where there is a range of equally possible outcomes, and there is no amount within that range that is considered to be a better estimate than any other amount, NCR uses the low end of the range. These factors are discussed below:

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For the first factor described above, total clean-up costs for the site, NCR uses a best estimate of \$551 million. It assumes that the proposed ROD amendment will be adopted without significant changes. This includes the expected costs of the clean-up work in OU 1 and OUs 2-5, plus a 20% contingency for both. The range of reasonably possible outcomes is estimated to be between \$459 million (assuming no contingencies) and \$874 million (depending on how the remedy is implemented). However, there can be no assurances that these amounts will not be significantly higher. For example, one consultant has expressed an opinion that total clean-up costs for the site could be approximately \$1.1 billion.

Second, for total natural resource damages (NRD), NCR uses a best estimate of \$131 million. The range of reasonably possible outcomes is between \$10 million and \$176 million.

Third, for the NCR/API share of clean-up costs and natural resource damages, NCR has examined amounts developed by several independent, nationally recognized engineering and paper-industry experts, along with those set forth in draft government reports. NCR has determined that there is a range of equally possible outcomes, and that no estimate within that range is better than the other estimates. Accordingly, NCR uses the low end of that range, which is based primarily on an estimate of the joint NCR/API percentage of direct discharges of PCBs to the river. There are other estimates that are significantly higher; however, NCR believes there is such uncertainty surrounding these estimates that it cannot quantify the high end of the range, although NCR does not believe the joint NCR/API percentage of direct discharges is near 100%.

Fourth, for the NCR share of the joint NCR/API payments, NCR uses 45 percent for the first \$75 million in total costs attributable to the joint NCR/API share, and uses 40 percent for costs in excess of \$75 million. These percentages are set by an agreement between NCR and API and an arbitration award. NCR's analysis of this factor assumes that API is able to pay its share of the NCR/API joint share.

Finally, NCR estimated the transaction costs it is likely to incur to defend this matter through 2013, the time period the Governments projected in the RODs it will take to design and implement the remedy for the river. This estimate is based on an analysis of NCR's costs since this matter first arose in 1995 and estimates of what NCR's defense and transaction costs will be in the future. NCR expects that the bulk of these transaction costs will be incurred in the earlier years of this time period, when the remedy will be designed and the initial clean-up activities will begin. NCR believes that once clean-up is underway, its transaction costs may decrease significantly on an annual basis.

Given the ongoing remedial design work being conducted by NCR and Fort James, the Governments' proposal to amend the lower river ROD (see above), and the prospect that the Governments will seek to facilitate a settlement of disagreements among the PRPs relating to their respective shares of the liability for the clean-up costs, it is possible there could be additional changes to some elements of the reserve over the next few quarters, although that is difficult to predict.

In 2001, NCR and API entered into an interim settlement with the Governments that limited NCR/API's joint cash payouts to \$10 million per year over a four-year period beginning at the time of such interim settlement. In exchange for these payments, the Governments agreed not to take any enforcement actions against NCR and API during the term of the settlement. These payments were shared by NCR and API under the terms of the sharing agreement discussed above and were to be credited against NCR's long-term exposure for this matter. NCR's share of these payments has been taken into account in determining its reserve to the extent that NCR can relate specific payments to clean-up work that was considered in estimating NCR's long-term liability. NCR and API used \$7 million of the amounts paid under the interim settlement to fund part of the design work NCR and Fort James are performing under the AOC discussed above. The parties to the interim settlement—NCR, API and the Governments—reached an agreement in late 2005 to extend the settlement for another year for the purpose of seeking to negotiate a settlement of the Governments' NRD claims. That one-year extension expired in December 2006, and NRD settlement negotiations will now likely occur in conjunction with negotiations over a consent decree to implement the remedy for the lower river (discussed above).

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NCR and Sonoco-U.S. Paper Mills have entered into a consent decree with the Governments to undertake a removal action involving an area of elevated PCBs downriver of the De Pere Dam in 2007. The consent decree was lodged with the federal court in Wisconsin in April 2006 and is awaiting approval and entry by the court. The estimated costs of this project are included in the \$551 million estimate discussed in the first factor above.

AT&T Inc. and Lucent Technologies, Inc. are jointly responsible for indemnifying NCR for a portion of amounts incurred by NCR for the Fox River matter over a certain threshold. NCR's estimate of what AT&T and Lucent will pay under the indemnity is recorded as a long-term receivable of \$8 million and is deducted in determining the net reserve discussed above.

In 2005 and 2006, NCR reached settlement agreements with certain of its principal insurance carriers for settlements in a combined total of approximately \$29 million, of which \$9 million is subject to competing claims by another party. NCR and the other party have agreed that these funds will be used for Fox River costs and will be shared on an agreed upon basis (subject to reallocation at a later date). NCR's agreed upon share of the \$9 million is expected to be \$4 million, and has been included in the reserve as of March 31, 2007, until resolution of the allocation.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR records environmental provisions when it is probable that a liability has been incurred and the amount or range of the liability is reasonably estimable. Provisions for estimated losses from environmental restoration and remediation are, depending on the site, based primarily on internal and third-party environmental studies (except for the Fox River site, where the estimated clean-up costs and natural resource damages are estimated as described above), estimates as to the number and participation level of any other PRPs, the extent of the contamination, and the nature of required clean-up and restoration actions. Reserves are adjusted as further information develops or circumstances change. Management expects that the amounts reserved from time to time will be paid out over the period of investigation, negotiation, remediation and restoration for the applicable sites. The amounts provided for environmental matters in NCR's condensed consolidated financial statements are the estimated gross undiscounted amounts of such liabilities, without deductions for insurance or third-party indemnity claims. Except for the sharing agreement with API described above with respect to the Fox River site, in those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts would be reflected as receivables in the condensed consolidated financial statements. For the Fox River site, an asset relating to the AT&T and Lucent indemnity has been recognized, since payment is deemed probable.

Guarantees and Product Warranties Guarantees associated with NCR's business activities are reviewed for appropriateness and impact to the Company's financial statements. Periodically, NCR's customers enter into various leasing arrangements coordinated by NCR with a leasing partner. In some instances, NCR guarantees the leasing partner a minimum value at the end of the lease term on the leased equipment or guarantees lease payments between the customer and the leasing partner. As of March 31, 2007, the maximum future payment obligation of this guaranteed value and the associated liability balance was \$7 million.

NCR provides its customers a standard manufacturer's warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. Estimated future obligations due to warranty claims are based upon historical factors such as labor rates, average repair time, travel time, number of service calls per machine and cost of replacement parts. Each business unit consummating a sale recognizes the total customer revenue and records the associated warranty liability using pre-established warranty percentages for that product class. From time to time, product design or quality corrections are accomplished through modification programs. When identified, associated costs of labor and parts for such programs are estimated and accrued as part of the warranty reserve.

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The following table identifies the activity relating to the warranty reserve:

In millions	2007	2006
Warranty reserve liability		
Beginning balance at January 1	\$ 21	\$ 19
Accruals for warranties issued	9	8
Settlements (in cash or in kind)	(13)	(12)
Ending balance at March 31	\$ 17	\$ 15

NCR also offers extended warranties to its customers as maintenance contracts. NCR accounts for these contracts by deferring the related maintenance revenue over the extended warranty period. Amounts associated with these maintenance contracts are not included in the table above.

In addition, NCR provides its customers with certain indemnification rights. In general, NCR agrees to indemnify the customer if a third party asserts patent or other infringement on the part of the customer for its use of the Company's products. From time to time, NCR also enters into agreements in connection with its acquisition and divestiture activities that include indemnification obligations by the Company. The fair value of these indemnification obligations is not readily determinable due to the conditional nature of the Company's potential obligations and the specific facts and circumstances involved with each particular agreement. The Company has not recorded a liability in connection with these indemnifications. Historically, payments made by the Company under these types of agreements have not had a material effect on the Company's condensed consolidated financial condition, results of operations or cash flows.

9. INCOME TAXES

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing thresholds and attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. Under FIN 48, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement.

The Company adopted the provisions FIN 48 on January 1, 2007. The cumulative effect of adopting FIN 48 was a \$8 million decrease in net tax reserves, which was accounted for as an increase to the January 1, 2007 balance of retained earnings. The net liability for income taxes associated with uncertain tax positions at January 1, 2007 was \$134 million. This liability can be reduced by \$38 million for offsetting tax benefits associated with potential transfer pricing adjustments across different tax jurisdictions. This net unrecognized tax benefit of \$96 million would favorably impact the Company's effective tax rate, if recognized.

The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the tax provision, which is consistent with the recognition of these items in prior reporting periods. As of January 1, 2007, the Company had \$32 million of accrued interest and penalties.

The Company is subject to income taxes in the U.S. (federal and state) and numerous foreign jurisdictions. The Company has effectively settled all U.S. federal tax audits through 2002; however, the U.S. federal statute of limitations remains open for 2000 and onward. The Company is currently under examination by the IRS for 2003–2005. The Company expects that the IRS will complete these examinations by 2008.

Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 3 to 5 years. The Company is currently under examination by foreign tax authorities in major jurisdictions including Canada (1997-2004), France (1997-2003), Germany (2001-2004), Japan (2000-2005), Netherlands (2000-2003), and the United Kingdom (1994-2006). The Company is also currently under examination in various U.S. state jurisdictions.

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Prior to its spin-off from AT&T in 1996, the Company filed certain consolidated or combined federal and state tax returns with AT&T. These returns are subject to a tax sharing agreement governing the allocation and apportionment of the uncertain federal and state tax benefits and liabilities. Our net liability for income taxes associated with uncertain tax positions includes items subject to the tax sharing agreement with AT&T.

The Company anticipates that recorded uncertain tax benefits may change during the next 12 months as a result of ongoing examinations. However, given the status of these examinations, the Company cannot reasonably estimate a range of these changes at this time.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the reported period. The calculation of diluted earnings per share is similar to basic earnings per share, except that the weighted average number of shares outstanding includes the dilution from potential shares added from stock options and unvested restricted stock awards.

The components of basic and diluted earnings per share are as follows:

In millions, except per share amounts	Three Months Ended	
	March 31	
	2007	2006
Net income available for common stockholders	\$ 34	\$ 41
Weighted average outstanding shares of common stock	179.3	181.7
Dilutive effect of employee stock options and restricted stock	2.8	3.3
Common stock and common stock equivalents	182.1	185.0
Earnings per share:		
Basic	\$ 0.19	\$ 0.23
Diluted	\$ 0.19	\$ 0.22

Options to purchase less than 0.1 million shares of common stock for the first quarter of 2007 and 2.3 million shares for the first quarter of 2006 were outstanding but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would have been anti-dilutive.

11. SEGMENT INFORMATION

NCR is managed through the following businesses, which are also the Company's operating segments: (1) Teradata Data Warehousing, (2) Financial Self Service, (3) Retail Store Automation, (4) Customer Services, (5) Systemedia and (6) Payment & Imaging and Other.

In recognition of the volatility of the effects of pension on operating income and to maintain operating focus on business performance, pension expense, restructuring costs associated with the manufacturing realignment initiative and strategic separation costs have been excluded from segment operating income or loss when evaluating business unit performance and are separately delineated to reconcile back to total reported operating income. See Notes 1 and 4 for further discussion on separation and restructuring costs.

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The following table presents data for revenue and operating income (loss) by segment:

In millions	Three Months Ended	
	March 31 2007	March 31 2006
Revenue by segment		
Teradata Data Warehousing		
Products	\$ 179	\$ 163
Professional and installation-related services	93	84
Total Data Warehousing solution	272	247
Teradata Data Warehousing support services	86	79
Total Teradata Data Warehousing revenue	358	326
Financial Self Service (ATMs)		
Products	261	211
Professional and installation-related services	51	48
Total Financial Self Service revenue	312	259
Retail Store Automation		
Products	108	131
Professional and installation-related services	47	41
Total Retail Store Automation revenue	155	172
Customer Services		
Customer Service Maintenance:		
Financial Self Service	170	155
Retail Store Automation	121	116
Payment & Imaging and Other	30	30
Third-Party Products and Exited Businesses	54	59
Total Customer Services Maintenance	375	360
Third-Party Product Sales	8	8
Professional and installation-related services	54	51
Total Customer Services revenue	437	419
Systemedia	94	101
Payment & Imaging and Other		
Products	15	23
Professional and installation-related services	13	16
Total Payment & Imaging and Other	28	39
Elimination of installation-related services revenue included in both the Customer Services segment and other segments	(38)	(33)
Total Revenue	\$ 1,346	\$ 1,283
Operating Income (Loss) by Segment		
Teradata Data Warehousing	\$ 65	\$ 67

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Financial Self Service (ATMs)	28	13
Retail Store Automation	(10)	(7)
Customer Services	28	20
Systemedia	2	
Payment & Imaging and Other	(3)	6
Elimination of installation-related services operating income included in both the Customer Services segment and other segments	(9)	(8)
Subtotal - Segment operating income	101	91
Pension expense	(11)	(44)
Other Adjustments (1)	(48)	
Total income from operations	\$ 42	\$ 47

(1) Includes restructuring costs associated with the Company's manufacturing realignment of \$46 million and strategic separation costs of \$2 million.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

Overview

As more fully discussed in later sections of this MD&A, the following were the significant events for the first quarter of 2007:

Overall revenue growth driven by increases in Financial Self Service, Teradata Data Warehousing and Customer Services

Results include \$46 million of manufacturing realignment restructuring costs and \$2 million of costs for the anticipated spin-off of our Teradata Data Warehousing business

Financial Self Service and Customer Services experienced improved operating performance period-over-period. We continued our focus in the quarter on our strategic initiatives to increase operating income and provide maximum value to our stakeholders. The initiatives and the actions we are taking are as follows:

- 1) **Execute strategic separation** On January 5, 2007, the Company announced its intention to separate into two independent publicly traded companies through the spin-off of 100% of the Company's Teradata Data Warehousing business to holders of shares of NCR stock. The transaction, expected to be tax-free to NCR and its shareholders, will enable the two public companies to better focus on their distinct customer bases, business strategies and operational needs.

The stock distribution ratio for the Teradata Data Warehousing spin-off is expected to be one-for-one. The separation is expected to be completed in the third quarter of 2007. Consummation of the proposed separation is subject to certain conditions, including final approval by NCR's Board of Directors, receipt of a ruling from the Internal Revenue Service (IRS) with respect to the tax-free status of the spin-off, the absence of any material changes or developments, and the filing and acceptance of registration statements with the Securities and Exchange Commission (SEC). The separation will not require a vote by NCR shareholders.

During the first quarter of 2007, the Company began implementing the plan to complete the eventual spin-off. The Company requested a favorable tax ruling from the IRS regarding the proposed tax-free distribution of NCR's wholly-owned subsidiary that will own the assets and liabilities associated with the Teradata Data Warehousing business. In addition, in the second quarter of 2007, the Company filed its Form 10 with the SEC with respect to the spin-off.

- 2) **Drive profitable growth** We expect to continue our investments in sales and other demand creation resources in areas with the greatest potential for profitable growth. We believe that NCR has growth opportunities in data warehousing enterprise analytics and self-service technologies, such as self-check-in/out and other self-service solutions. In the first quarter, we continued to take actions to improve our future revenue growth and operating performance, primarily in our Data Warehousing segment to reach into newer industry-vertical markets such as manufacturing, financial, healthcare, insurance and government. Additionally, we continue to evaluate acquisitions and investments that we believe will increase our market coverage and enhance our existing solution offerings.
- 3) **Strengthen competitive position** The Company expects to focus on increasing the efficiency and effectiveness of our core functions and the productivity of our employees. Areas of emphasis are expected to include product development, manufacturing and supply chain, customer services delivery and our overall management system. During the first quarter of 2007, we started transitioning manufacturing from Scotland to Hungary for our high-volume manufacturing. In the Americas, we anticipate that Solectron will begin contract manufacturing operations in the third quarter. Refer to "Restructuring and Re-engineering" in this MD&A for more information regarding our manufacturing realignment.

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- 4) **Evolve to a more customer-focused, high-technology culture** We expect to focus on the traits and competencies necessary to enable us to deliver profitable growth and strengthen our competitive position. This will be accomplished through organizational and people development, management system changes and alignment, and the linkage between compensation and performance.

We expect to continue with these initiatives for the remainder of 2007 and beyond, as we refine our business model and position the Company for growth and profitability.

Results of Operations for Three Months Ended March 31, 2007**Compared to Three Months Ended March 31, 2006**

In millions	2007	2006
Consolidated revenue	\$ 1,346	\$ 1,283
Consolidated gross profit	\$ 343	\$ 352
Consolidated operating expenses:		
Selling, general and administrative expenses	245	245
Research and development expenses	56	60
Consolidated income from operations	\$ 42	\$ 47

Revenue increased 5% from the first quarter of 2006. The revenue increase included a benefit of 2% from foreign currency fluctuations. Consolidated income from operations during the first quarter of 2007 included \$46 million of restructuring costs from the manufacturing realignment initiative and \$2 million of costs for the anticipated spin-off of our Teradata Data Warehousing business. The first quarter of 2006 included \$9 million of incremental pension expense associated with an early retirement program offered in our Customer Services business. After adjusting for these items, consolidated income from operations increased due to the improved profitability in Financial Self Service and Customer Services, and lower pension expense.

Gross Margin

Gross margin as a percentage of revenue for the three months ended March 31, 2007 was 25.5% compared to 27.4% in the first quarter of 2006. Product gross margin decreased to 28.4% in the first quarter of 2007 compared to 36.9% in the first quarter of 2006, primarily due to \$46 million of manufacturing realignment costs and lower product gross margins in Teradata Data Warehousing and Payment & Imaging and Other. Teradata Data Warehousing product gross margins decreased due to an unfavorable revenue mix, while Payments & Imaging and Other decreased due to high software revenues in the first quarter of 2006 that did not recur. Services gross margins increased to 22.6% for the first quarter of 2007 from 18.1% in the first quarter of 2006, largely due to lower pension costs of \$23 million. Services gross margins also improved as we continue to lower our service delivery costs and reduce the number of service contracts related to lower-margin third-party products.

Operating Expenses

Total operating expenses, characterized as selling, general and administrative expenses and research and development expenses in the Condensed Consolidated Statement of Operations, were \$301 million for the first quarter of 2007 compared to \$305 million during the same period of 2006. As a percentage of revenue, total operating expenses decreased to 22.4% in the first quarter of 2007 from 23.8% for the same period of 2006. Selling, general and administrative expenses were comparable to prior year levels, and included a decrease in pension expense of approximately \$11 million, which was offset by an increase in demand creation spending of \$9 million. Research and development expenditures are lower as we continue to reduce discretionary spending and move certain resources to lower cost regions.

Table of Contents**Effects of Pension, Postemployment, and Postretirement Benefit Plans**

Cost of revenue and total expenses for the three months ended March 31, 2007 and 2006 were impacted by certain employee benefit plans as shown below:

In millions	Three Months Ended	
	March 31	
	2007	2006
Pension expense	\$ 11	\$ 44
Postemployment expense	56	20
Postretirement expense		1
Net expense	\$ 67	\$ 65

During the three months ended March 31, 2007, NCR incurred \$11 million of pension expense compared to \$44 million in the first quarter of 2006. The decrease was due primarily to our decision to freeze our U.S. pension plans and special termination benefits cost of \$9 million recognized in the first quarter of 2006 related to the early retirement program described in more detail below in the Restructuring and Re-Engineering section of this MD&A. We continue to expect pension expense of approximately \$65 million in 2007.

Postemployment plan expense during the first three months of 2007 increased to \$56 million from \$20 million during the same time period in 2006. The increase was driven primarily by postemployment expense of \$37 million relating to the manufacturing realignment initiative which is described in more detail in the Restructuring and Re-Engineering section of this MD&A.

Revenue by Region

The following table presents data for revenue by region for the three months ended March 31:

In millions	% of		% of		% Increase	Constant
	2007	Total	2006	Total	(Decrease)	Currency*
Americas	\$ 627	46%	\$ 675	52%	(7)%	(7)%
Europe/Middle East/Africa (EMEA)	468	35%	395	31%	18%	11%
Japan	89	7%	88	7%	1%	3%
Asia/Pacific (excluding Japan)	162	12%	125	10%	30%	25%
Consolidated revenue	\$ 1,346	100%	\$ 1,283	100%	5%	3%

* Constant currency is used to depict revenue without the benefit or detriment occurring from currency fluctuations. Constant currency is calculated by presenting the 2006 results using 2007 monthly average currency rates.

Overall revenue in the first quarter of 2007 included 2% of benefit from currency fluctuations. Regionally, changes in the exchange rate provided a favorable impact of 7% in the EMEA region and 5% in the Asia/Pacific region on first quarter 2007 revenue versus first quarter 2006 revenue. The stronger U.S. dollar compared to the Japanese Yen resulted in a negative impact of 2% in Japan.

Revenue changes in constant currency In the Americas region, revenue decreased primarily due to Financial Self Service, Retail Store Automation, Systemedia and Payment & Imaging and Other. In the EMEA region, a decrease in Retail Store Automation was more than offset

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by double-digit increases in Teradata Data Warehousing, Financial Self Service and Payment & Imaging and Other. In Japan, solid growth in Retail Store Automation and Payment & Imaging and Other was partially offset by decreases in Systemedia and Customer Services. Finally, in our Asia/Pacific region, the revenue increase was driven by double-digit increases in Financial Self Service, Teradata Data Warehousing, Customer Services and Systemedia.

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Results of Operations by Segment

Our key solutions are categorized as Teradata Data Warehousing, Financial Self Service, Retail Store Automation and Customer Services, each of which is a reportable operating segment. In addition, our smaller businesses are reported in the Systemedia and Payment & Imaging and Other segments. Our segments are comprised of hardware, software and professional and installation-related services along with maintenance and support services in our Teradata Data Warehousing and Customer Service segments.

For purposes of discussing our operating results by segment, we exclude the impact of certain items from operating income or loss, consistent with the manner by which management views each segment and reports our operating segment results under Statement of Financial Accounting Standards No. 131 (SFAS 131), *Disclosures about Segments of an Enterprise and Related Information*. This format is useful to investors because it allows analysis and comparability of operating trends. It also includes the same information that is used by NCR management to make decisions regarding the segments and to assess our financial performance. The effects of pension expense have been excluded from the operating income (loss) for each reporting segment presented and discussed below. In addition, the segment results in the first quarter of 2007 exclude \$48 million of restructuring and strategic separation costs. Our segment results are reconciled to total Company results reported under accounting principles generally accepted in the United States of America (GAAP) in Note 11 of Notes to Condensed Consolidated Financial Statements.

In the segment discussions, we have disclosed the impact of foreign currency fluctuations as it relates to our segment revenue due to its significance during the quarter. As a result of the weaker U.S. Dollar, the Company benefited from currency fluctuations, primarily in our EMEA and Asia/Pacific region.

Teradata Data Warehousing: Teradata Data Warehousing revenue increased 10% during the first quarter of 2007 from the first quarter of 2006. Foreign currency fluctuations provided a 2% benefit to the period-over-period revenue comparison. Operating income was \$2 million lower than generated in the first quarter of 2006. The quarter-over-quarter operating income comparison was affected by an unfavorable revenue mix comparison, increased investment in sales and demand-creation resources, as well as an increased reserve related to a 2002 legal matter in China.

Financial Self Service: Financial Self Service revenue increased 20% during the first quarter of 2007 from the first quarter of 2006. Foreign currency fluctuations provided a 4% benefit to the period-over-period revenue comparison. Strong revenue growth in Europe and Asia offset a revenue decline in the Americas region. Operating income increased \$15 million compared to the same period of 2006. Higher revenue more than offset the cost of operating two manufacturing facilities in Europe as we initiated our manufacturing realignment in the first quarter of 2007.

Retail Store Automation: Retail Store Automation revenue decreased 10% in the first quarter of 2007 from the first quarter of 2006. Foreign currency fluctuations provided a 2% benefit to the period-over-period revenue comparison. Revenue was lower due to the timing of both traditional point of sale (POS) and self-service transactions. Operating income decreased \$3 million in the first quarter compared to the same period of 2006. The decrease in operating income was largely due to lower revenue and an unfavorable mix of products sold within our traditional POS product line.

Customer Services: Customer Services revenue increased 4% in the first quarter of 2007 from the first quarter of 2006. Foreign currency fluctuations provided a 2% benefit to the period-over-period revenue comparison. In line with our strategy, we continue to improve the mix of revenue from the service of NCR-branded products while reducing lower-margin revenues associated with servicing third-party products. Revenues from the maintenance of ATMs increased 10% in the first quarter, while revenues from the maintenance of third-party products declined by 8%. Operating income increased \$8 million in the first quarter of 2007 compared to the first quarter of 2006. The period-over-period comparison benefited from higher revenues, favorable mix of revenue and continued emphasis on cost reduction.

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Systemedia: Systemedia revenue decreased 7% in the first quarter of 2007 from the first quarter of 2006. Foreign currency fluctuations provided a 2% benefit to the period-over-period revenue comparison. Revenue was lower primarily due to the sale of the U.S. forms and laser documents consumables portfolio in the third quarter of 2006. Operating income increased \$2 million in the first quarter of 2007 due to cost and expense reductions, which more than offset the negative impact of the lower overall revenue.

Payment & Imaging and Other: Revenue for this segment decreased 28% in the first quarter of 2007 from the first quarter of 2006. Foreign currency fluctuations provided a 1% benefit to the period-over-period revenue comparison. The revenue decrease was primarily related to high software revenues in the first quarter of 2006 that did not recur. Operating income was \$9 million lower in the first quarter compared to the same period in 2006. Operating income decreased due to lower revenue and an unfavorable mix of products sold.

Interest and Other Income Items

Interest expense of \$6 million was unchanged in the first quarter of 2007, compared to the first quarter of 2006.

Other income, net, was unchanged in the first quarter of 2007, compared to the first quarter of 2006. Other income includes items such as minority interest, gains or losses on equity investments and interest income, which was \$12 million in the first quarter of 2007 compared to \$7 million in the first quarter of 2006. The increase in interest income, primarily due to increased cash balances, was offset by changes in foreign exchange and an increase in an environmental reserve for property we previously owned.

Provision for Income Taxes

Income tax provisions for interim (quarterly) periods are based on estimated annual income tax rates calculated separately from the effect of significant infrequent or unusual items. The tax rate in the first quarter of 2007 was 24% compared to 18% in the first quarter of 2006. The period-over-period difference in tax rates was driven by changes in the mix of profit and losses by country.

The IRS has completed its examination of the income tax returns, excluding amendments, of NCR for all years through 2002. As of March 31, 2007, the IRS was in the process of examining NCR's income tax returns for years 2003, 2004 and 2005. In addition, NCR is subject to numerous ongoing audits by state and foreign authorities. While NCR believes that appropriate reserves exist for any outstanding issues that might arise from these audits, should these audits be settled, the resulting tax effect could impact the tax provision in future periods.

Restructuring and Re-engineering

On January 11, 2007, the Company announced plans to realign its global manufacturing operations. This includes:

Reducing manufacturing operations and shifting the focus of the Dundee, Scotland, facility to new product introductions and the manufacturing of high-complexity/low-volume solutions

Meeting volume demand in Europe, Middle East, Africa and Asia-Pacific through lower-cost manufacturing facilities in Hungary, China and India

Moving to a contract manufacturing model with Solectron in the Americas

The realignment is expected to reduce overall operating costs and to free capital to invest in revenue-generating programs in sales, engineering and market development. The Company will continue to focus resources on engineering and advanced development, product management and marketing in affected locations where the manufacturing realignment is anticipated to result in reductions in manufacturing employment. As a result of these changes, the Company recorded \$46 million for employee severance and other termination benefits in cost of products in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2007. Of the \$46 million total, \$37 million was recorded as a discrete cost in accordance with Statement of Financial Accounting Standards No. 112, *Employers' Accounting for Postemployment Benefits*, when the liability was determined to be probable and reasonably estimable. The remaining \$9 million was recorded in accordance with Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*.

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The accrued liability of \$46 million included on the Condensed Consolidated Balance Sheet in other current liabilities represents the cash expenditures necessary to satisfy remaining obligations, which will be primarily paid over the balance of 2007.

The Company expects to incur an additional \$15 to \$20 million in restructuring costs in 2007 in potential impairment costs associated with stranded assets, lease termination costs, employee retention payouts and other costs that are a direct result of the restructuring activity. In addition, the Company is currently evaluating the sale of certain long-lived assets in connection with the restructuring. The sale of these assets could positively impact earnings in future periods. The restructuring initiative is not expected to have a significant impact on the Company's revenues, liquidity or sources and uses of capital resources. The restructuring costs are expected to be funded by the Company's cash, and although this will result in short-term cash outflows, the Company expects future cost savings and no adverse impact to revenue as a result of these changes.

To further improve profitability in Customer Services, in the first quarter of 2006, NCR offered an early retirement program to qualified Customer Service engineers in the United States. As a result of participant elections, the Company recorded a non-cash increase in pension expense during the first quarter of 2006 of \$9 million.

Financial Condition, Liquidity, and Capital Resources

NCR's management uses a non-GAAP measure called free cash flow, which we define as net cash provided by operating activities less capital expenditures for property, plant and equipment, and additions to capitalized software, to assess the financial performance of the Company. Free cash flow does not have a uniform definition under GAAP and therefore, NCR's definition may differ from other companies' definitions of this measure. The components that are used to calculate free cash flow are GAAP measures that are taken directly from the Condensed Consolidated Statements of Cash Flows. We believe free cash flow information is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash available after capital expenditures for, among other things, investments in the Company's existing businesses, strategic acquisitions, repurchase of NCR stock and repayment of debt obligations. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other non-discretionary expenditures that are not deducted from the measure. This non-GAAP measure should not be considered a substitute for, or superior to, cash flows from operating activities under GAAP.

The table below shows net cash provided by operating activities and capital expenditures for the following periods:

In millions	Three Months Ended	
	March 31	
	2007	2006
Net cash provided by operating activities	\$ 151	\$ 12
Less: Expenditures for property, plant and equipment	(29)	(15)
Less: Additions to capitalized software	(24)	(20)
Free cash flow	\$ 98	\$ (23)

For the first three months of 2007, cash provided by operating activities increased by \$139 million, while capital expenditures increased by \$18 million, resulting in a net increase in free cash flow of \$121 million compared to the first three months of 2006. The increase in cash provided by operating activities was driven by collections on accounts receivables from our strong fourth quarter in 2006, as well as improvements in other working capital items. Capital expenditures increased due to planned manufacturing and real estate initiatives and increased investment in software development.

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Financing activities and certain other investing activities are not included in our calculation of free cash flow. These other investing activities included net proceeds of \$11 million, primarily from the sale of property. Our financing activities in the first three months of 2007 primarily consisted of cash inflows from the issuance of shares through our employee stock plans. Cash inflows from stock plans were \$18 million in the first three months of 2007 compared to \$40 million in the first three months of 2006. The reduction was primarily due to a decrease in the number of options exercised in the first quarter of 2007. During the first quarter of 2006, The Company purchased 2.3 million shares of NCR common stock for \$88 million. The Company did not repurchase shares in the first quarter of 2007 and does not intend to repurchase shares through the anticipated strategic separation of our Teradata Data Warehousing business.

Contractual and Other Commercial Commitments: There has been no significant change in our contractual and other commercial commitments as described in our Form 10-K for the year ended December 31, 2006. The Company's unrecognized tax benefits are not expected to have a significant impact on liquidity or sources and uses of capital resources. Our guarantees and product warranties are discussed in Note 8 of Notes to Condensed Consolidated Financial Statements.

Our cash and cash equivalents totaled \$1.1 billion as of March 31, 2007. We believe our cash flows from operations, the credit facilities (existing or future arrangements), and other short- and long-term debt financing, will be sufficient to satisfy our future working capital, research and development activities, capital expenditures, pension contributions and other financing requirements for the foreseeable future. Our ability to generate positive cash flows from operations is dependent on general economic conditions, competitive pressures, and other business and risk factors. If we are unable to generate sufficient cash flows from operations, or otherwise comply with the terms of our credit facilities and senior notes, we may be required to refinance all or a portion of our existing debt or seek additional financing alternatives.

Critical Accounting Policies and Estimates

Management has reassessed the critical accounting policies as disclosed in our 2006 Form 10-K and determined that there was one change to our critical accounting policies in the three months ended March 31, 2007, which is described below. Also, there were no significant changes in our estimates associated with those policies. See Note 8 of Notes to Condensed Consolidated Financial Statements for an update relating to the reserve for the Fox River environmental matter.

Income Taxes The Company adopted FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, on January 1 2007. FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing thresholds and attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. Under FIN 48, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement. Under our previous policy, we evaluated our liabilities under Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, which required an accrual for estimated losses when it was probable that a liability had been incurred and the amount could be reasonably estimated.

New Accounting Pronouncements

See discussion in Note 3 of Notes to Condensed Consolidated Financial Statements for new accounting pronouncements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, including changes in foreign currency exchange rates and interest rates. We use a variety of measures to monitor and manage these risks, including derivative financial instruments. Since a substantial portion of our operations and revenue occurs outside the United States, and in currencies other than the U.S. dollar, our results can be significantly impacted by changes in foreign currency exchange rates. To manage our exposures and mitigate the impact of currency fluctuations on the

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operations of our foreign subsidiaries, we hedge our main transactional exposures through the use of foreign exchange forward contracts. This is primarily done through the hedging of foreign currency denominated inter-company inventory purchases by the marketing units and of foreign currency denominated inventory sales by the manufacturing units. All of these transactions are firmly committed or forecasted. These foreign exchange contracts are designated as highly effective cash flow hedges. The gains or losses are deferred in other comprehensive income and recognized in the determination of income when the underlying hedged transaction impacts earnings. As we hedge inventory purchases, the ultimate gain or loss from the derivative contract is recorded in cost of products when the inventory is sold to an unrelated third party.

We have exposure to approximately 50 functional currencies, in which our primary exposure is from fluctuations in the Euro, British Pound and Japanese Yen. Due to our global operations, weaknesses in some of these currencies are sometimes offset by strengths in others. The U.S. Dollar was weaker in the first quarter of 2007 as compared to the first quarter of 2006 based on comparable weighted averages for our functional currencies. This had a favorable impact of 2% on first quarter 2007 revenue versus first quarter 2006 revenue. This excludes the effects of our hedging activities and, therefore, does not reflect the actual impact of fluctuations in exchange rates on our operating income.

Our strategy is to hedge, on behalf of each subsidiary, a portion of our non-functional currency denominated cash flows for a period of up to 15 months. As a result, some of the impact of currency fluctuations on non-functional currency denominated transactions (and hence on subsidiary operating income, as stated in the functional currency) is mitigated in the near term. The amount we hedge and the length of time hedge contracts are entered into may vary significantly. In the longer term (longer than the hedging period of up to 15 months), the subsidiaries are still subject to the impacts of foreign currency fluctuations. In addition, the subsidiary results are still subject to any impact of translating the functional currency results to U.S. Dollars. When hedging certain foreign currency transactions of a long-term investment nature (net investments in foreign operations), the gains and losses are recorded in the currency translation adjustment component of stockholders' equity. Gains and losses on other foreign exchange contracts are recognized in other income or expense as exchange rates change.

For purposes of potential risk analysis, we use sensitivity analysis to quantify potential impacts that market rate changes may have on the fair values of our hedge portfolio related to firmly committed or forecasted transactions. The sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the related gain or loss on the forecasted underlying transaction. A 10% appreciation in the value of the U.S. Dollar against foreign currencies from the prevailing market rates would result in increases of \$16 million as of March 31, 2007 and \$15 million as of March 31, 2006 in the fair value of the hedge portfolio. Conversely, a 10% depreciation of the U.S. Dollar against foreign currencies from the prevailing market rates would result in decreases of \$16 million as of March 31, 2007 and \$15 million as of March 31, 2006 in the fair value of the hedge portfolio.

The interest rate risk associated with our borrowing and investing activities as of March 31, 2007 was not material in relation to our consolidated financial position, results of operations or cash flows.

We utilize non-exchange traded financial instruments, such as foreign exchange forward contracts that we purchase exclusively from highly rated financial institutions. We record these contracts on our balance sheet at fair market value based upon market price quotations from the financial institutions. We do not enter into non-exchange traded contracts that require the use of fair value estimation techniques, but if we did, they could have a material impact on our financial results. Also, we do not enter into hedges for speculative purposes.

We are potentially subject to concentrations of credit risk on accounts receivable and financial instruments, such as hedging instruments, short-term investments, and cash and cash equivalents. Credit risk includes the risk of nonperformance by counterparties. The maximum potential loss may exceed the amount recognized on the balance sheet. Exposure to credit risk is managed through credit approvals, credit limits, selecting major international financial institutions (as counterparties to hedging transactions) and monitoring procedures. Our business often involves large transactions with customers for which we do not require collateral. If one or more of those customers were to default in its obligations under applicable contractual arrangements, we could be exposed to

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potentially significant losses. Moreover, a downturn in the global economy could have an adverse impact on the ability of our customers to pay their obligations on a timely basis. We believe that the reserves for potential losses are adequate. As of March 31, 2007 and December 31, 2006, we did not have any major concentration of credit risk related to financial instruments.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NCR has established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) to ensure that information required to be disclosed by NCR in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by NCR in the reports that it files or submits under the Exchange Act is accumulated and communicated to NCR's management, including its Chief Executive and Chief Financial Officers, as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation as of the end of the first quarter of 2007, conducted under their supervision and with the participation of management, the Company's Chief Executive and Chief Financial Officers have concluded that NCR's disclosure controls and procedures are effective to meet such objective and that NCR's disclosure controls and procedures adequately alert them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in NCR's Exchange Act filings.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. LEGAL PROCEEDINGS

The information required by this item is included in the material under Note 8 of Notes to Condensed Consolidated Financial Statements of this quarterly report and is incorporated herein by reference.

Item 1A. RISK FACTORS

There have not been any material changes to the risk factors previously disclosed in Part I, Item 1A of the Form 10-K for the fiscal year ended December 31, 2006.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchase of Company Common Stock

The Company occasionally purchases vested restricted stock shares from Section 16 officers at the current market price to cover their withholding taxes. For the first quarter of 2007, the total of these purchases was 2,590 shares at an average price of \$46.13 per share.

As of March 31, 2007, the Company had a total remaining authorization of \$264 million to repurchase outstanding shares of NCR common stock. The Company did not repurchase shares in the first quarter of 2007 and does not intend to repurchase shares through the anticipated strategic separation of our Teradata Data Warehousing business. Information regarding the potential spin-off of the Company's Teradata Data Warehousing business is included in Note 1 of the Notes to Condensed Consolidated Financial Statements of this Report.

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Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the first quarter of 2007. NCR's Annual Meeting of Stockholders was held on April 25, 2007. At the Annual Meeting, stockholders voted on two matters: a proposal to elect Edward P. Boykin, Linda Fayne Levinson, and Victor L. Lund as Class B directors and Gary Daichendt as a Class A director, and a proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2007. The number of shares voted with respect to each matter required to be reported herein are as follows:

1. Election of Class B Directors:

Edward P. Boykin	For: 151,765,945	Withhold: 1,897,587
Linda Fayne Levinson	For: 150,772,291	Withhold: 2,891,240
Victor L. Lund	For: 150,905,310	Withhold: 2,758,221

Election of Class A Director:

Gary Daichendt	For: 151,767,080	Withhold: 1,896,451
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2. Ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2007.

For:	150,829,501
Against:	1,727,327
Abstain:	1,106,701

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

- 3.1 Articles of Amendment and Restatement of NCR Corporation as amended May 14, 1999 (incorporated by reference to Exhibit 3.1 from the NCR Corporation Form 10-Q for the period ended June 30, 1999).
- 3.2 Bylaws of NCR Corporation, as amended and restated on January 24, 2007 (incorporated by reference to Exhibit 3(ii) to the Current Report on Form 8-K dated January 25, 2007).
- 4.1 Common Stock Certificate of NCR Corporation (incorporated by reference to Exhibit 4.1 from the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1999).
- 4.2 Preferred Share Purchase Rights Plan of NCR Corporation, dated as of December 31, 1996, by and between NCR Corporation and The First National Bank of Boston (incorporated by reference to Exhibit 4.2 from the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1996).
- 4.3 NCR Corporation hereby agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument which defines the rights of holders of long-term debt of NCR Corporation and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed, and which does not exceed 10% of the total assets of NCR Corporation and its subsidiaries

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on a consolidated basis.

- 4.4 Indenture, dated as of June 1, 2002, between NCR Corporation and The Bank of New York (incorporated by reference to Exhibit 4.4 to the June 30, 2002 Form 10-Q).

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4.5	Registration Rights Agreement, dated June 6, 2002, by and between NCR Corporation and Salomon Smith Barney Inc., Banc One Capital Markets, Inc., BNY Capital Markets, Inc., Fleet Securities, Inc., J.P. Morgan Securities Inc. and McDonald Investments Inc., relating to \$300,000,000 principal amount of 7.125% Senior Notes due 2009 (incorporated by reference to Exhibit 4.5 to the June 30, 2002 Form 10-Q).
4.6(a-c)	Terms of 7.125% Senior Notes due 2009, including the form of notes (incorporated by reference to Exhibits 4.6(a-c) to the June 30, 2002 Form 10-Q).
10.1	Form of 2006 Restricted Share Agreement under the NCR Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed July 27, 2006).
10.2	Purchase and Manufacturing Services Agreement effective as of January 19, 2007, between NCR Corporation and Solectron Corporation, filed herewith with portions omitted pursuant to NCR Corporation's request for confidential treatment and filed separately with the Securities and Exchange Commission, and incorporated herein by reference (incorporated by reference to Exhibit 10.6 to the December 31, 2006 Annual Report on Form 10-K filed March 1, 2007 (the 2006 Annual Report)).
10.3	Form of 2007 Restricted Stock Agreement under the NCR Corporation 2006 Stock Incentive Plan (Exhibit 10.8.5 to the 2006 Annual Report).
10.4	Form of 2007 Restricted Stock Unit Agreement under the NCR Corporation 2006 Stock Incentive Plan (Exhibit 10.8.6 to the 2006 Annual Report).
10.5	Form of 2007 Performance Based Restricted Stock Agreement under the NCR Corporation 2006 Stock Incentive Plan (Exhibit 10.8.7 to the 2006 Annual Report).
10.6	Form of 2007 Performance Based Restricted Stock Unit Agreement under the NCR Corporation 2006 Stock Incentive Plan (Exhibit 10.8.8 to the 2006 Annual Report).
10.7	Form of 2007 Stock Option Agreement under the NCR Corporation 2006 Stock Incentive Plan (Exhibit 10.8.9 to the 2006 Annual Report).
10.8	NCR Director Compensation Program effective April 24, 2007.
10.9	2007 Director Option Grant Statement under the NCR Director Compensation Program.
10.10	2007 Director Restricted Stock Unit Grant Statement under the NCR Director Compensation Program.
10.11	Fourth Amendment to the NCR Nonqualified Excess Plan.
31.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated May 10, 2007.
31.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated May 10, 2007.
32	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated May 10, 2007.

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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, thereunto duly authorized.

NCR CORPORATION

Date: May 10, 2007

By: /s/ Peter Bocian
Peter Bocian
Senior Vice President and Chief Financial Officer

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