SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

Commission File Number 0-18277

VICOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)	04-2742817 (IRS Employer Identification Number)

25 Frontage Road, Andover, Massachusetts 01810
(Address of registrant's principal executive office)

(978) 470-2900
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No o

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of September 30, 2004.

Common Stock, $.01 par value -------------------- 30,212,215
Class B Common Stock, $.01 par value ---------- 11,867,100

VICOR CORPORATION

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Item 1 - Financial Statements

VICOR CORPORATION

Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

Assets	September 30, 2004	December 31, 2003
Current assets:		
Cash and cash equivalents	$ 38,325	$ 41,723
Short-term investments	76,109	67,046
Accounts receivable, net	22,842	22,493
Inventories, net	26,023	22,080
Deferred tax assets	3,548	3,548
Other current assets	2,311	4,101
Total current assets	169,158	160,991
Property, plant and equipment, net	70,147	82,366
Other assets	9,918	8,107
	$ 249,223	$ 251,464
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 6,920	$ 5,078
Accrued compensation and benefits	3,541	3,541
Accrued liabilities	4,788	5,360
Income taxes payable	6,599	6,465
Total current liabilities	21,848	20,444
Deferred income taxes	4,242	4,362
Stockholders' equity:		
Preferred Stock	—	—
Class B Common Stock	119	119
Common Stock	374	371
Additional paid-in capital	148,803	146,479
Retained earnings	178,791	183,863
Accumulated other comprehensive income	12	186
Treasury stock, at cost	(104,966)	(104,360)
Total stockholders' equity	223,133	226,658
	$ 249,223	$ 251,464

See accompanying notes.

VICOR CORPORATION

Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net revenues:				
Product	$43,048	$35,815	$130,568	$111,541
License	—	62	375	769
	43,048	35,877	130,943	112,310
Cost of revenues	26,817	27,290	82,332	84,279
Gross margin	16,231	8,587	48,611	28,031
Operating expenses:				
Selling, general and administrative	10,141	10,230	30,926	30,948
Research and development	6,706	6,046	19,154	17,213
Total operating expenses	16,847	16,276	50,080	48,161
Loss from operations	(616)	(7,689)	(1,469)	(20,130)
Other income (expense), net	544	(114)	853	224
Loss before income taxes	(72)	(7,803)	(616)	(19,906)
Benefit (provision) for income taxes	(500)	683	(1,085)	199
Net loss	$ (572)	$ (7,120)	$ (1,701)	$ (19,707)
Net loss per common share:				
Basic	$ (0.01)	$ (0.17)	$ (0.04)	$ (0.47)
Diluted	$ (0.01)	$ (0.17)	$ (0.04)	$ (0.47)
Shares used to compute net loss per share:				
Basic	42,098	41,851	42,021	41,901
Diluted	42,098	41,851	42,021	41,901
Cash dividends per share	$ 0.08	—	$ 0.08	—

See accompanying notes.

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VICOR CORPORATION

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 30, 2004	September 30, 2003
Operating activities:		
Net loss	$ (1,701)	$(19,707)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	15,878	16,824
Amortization of bond premium	783	526
Other than temporary decline in investment	70	387
Loss on disposal of equipment	47	329
Proceeds from sale of investment	—	273
Loss on sale of investment	—	100
Unrealized gain on foreign currency	—	(1)
Change in current assets and liabilities, net	(1,150)	21,424
Net cash provided by operating activities	13,927	20,155
Investing activities:		
Purchases of short-term investments	(60,582)	(50,147)
Sale and maturities of short-term investments	50,449	39,422
Additions to property, plant and equipment	(3,283)	(4,571)
Increase in other assets	(2,309)	(1,334)
Net cash used in investing activities	(15,725)	(16,630)
Financing activities:		
Proceeds from issuance of Common Stock	2,327	595
Common Stock dividends	(3,371)	—
Acquisitions of treasury stock	(606)	(2,562)
Net cash used in financing activities	(1,650)	(1,967)
Effect of foreign exchange rates on cash	50	(80)
Net increase (decrease) in cash and cash equivalents	(3,398)	1,478
Cash and cash equivalents at beginning of period	41,723	49,870
Cash and cash equivalents at end of period	$ 38,325	$ 51,348

See accompanying notes.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
September 30, 2004
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. The balance sheet at December 31, 2003 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company's audited financial statements for the year ended December 31, 2003, contained in the Company's annual report filed on Form 10-K (File No. 0-18277) with the Securities and Exchange Commission.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2004
(Unaudited)

2. Stock-Based Compensation

The Company uses the intrinsic value method in accounting for its employee stock options in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations, as permitted under FASB Statement No. 123, "Accounting for Stock-Based Compensation" (FAS 123) and FASB Statement No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" (FAS 148). Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting period. Had expense been recognized using the fair value method described in FAS 123, using the Black-Scholes option pricing model, the following pro forma results of operations would have been reported (in thousands except for per share information):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net loss as reported	$ (572)	$(7,120)	$(1,701)	$(19,707)
Stock-based employee compensation cost, net of related tax effects	(338)	(803)	(1,232)	(3,462)
Pro forma net loss	$ (910)	$(7,923)	$(2,933)	$(23,169)
Net loss per share, as reported:				
Basic	$(0.01)	$ (0.17)	$ (0.04)	$ (0.47)
Diluted	$(0.01)	$ (0.17)	$ (0.04)	$ (0.47)
Pro forma net loss per share:				
Basic	$(0.02)	$ (0.19)	$ (0.07)	$ (0.55)
Diluted	$(0.02)	$ (0.19)	$ (0.07)	$ (0.55)

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair values of its employee stock options.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2004
(Unaudited)

3. Net Loss per Share

The following table sets forth the computation of basic and diluted loss per share for the three and nine months ended September 30 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Numerator:				
Net loss	$ (572)	$ (7,120)	$ (1,701)	$(19,707)
Denominator:				
Denominator for basic loss per share-weighted average shares	42,098	41,851	42,021	41,901
Effect of dilutive securities:				
Employee stock options	—	—	—	—
Denominator for diluted loss per share — adjusted weighted-average shares and assumed conversions	42,098	41,851	42,021	41,901
Basic loss per share	$ (0.01)	$ (0.17)	$ (0.04)	$ (0.47)
Diluted loss per share	$ (0.01)	$ (0.17)	$ (0.04)	$ (0.47)

The effect of outstanding stock options has been excluded from the calculation of diluted loss per share for the three and nine months ended September 30, 2004 and September 30, 2003, respectively, as the effect would be anti-dilutive.

4. Inventories

Inventories are valued at the lower of cost (determined using the first-in, first-out method) or market. Inventories were as follows as of September 30, 2004 and December 31, 2003 (in thousands):

	September 30, 2004	December 31, 2003
Raw materials	$26,451	$23,232
Work-in-process	2,399	2,108
Finished goods	5,034	4,791
	33,884	30,131
Inventory reserves	(7,861)	(8,051)
Net balance	$26,023	$22,080

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2004
(Unaudited)

5. Investment

In March and August 2004, the Audit Committee of the Board of Directors approved additional investments by the Company of $1,000,000 each in non-voting preferred stock of Great Wall Semiconductor Corporation (“GWS”). As of September 30, 2004, the Company’s total investment in GWS was $3,000,000. A director of Vicor is founder, president and a shareholder of GWS. GWS is majority owned and controlled by an unrelated company.

The Company considered the requirements of FASB Interpretation No. 46 - Revised (FIN 46R), “Consolidation of Variable Interest Entities,” in accounting for the additional investment in GWS, and determined that GWS is not a variable interest entity. As a result, the Company has accounted for the investment under Accounting Principles Board Opinion No. 18 (APB 18), “The Equity Method for Accounting for Investments in Common Stock,” as a cost method investment as management believes it does not have significant influence over GWS. The investment in GWS is included in other assets in the condensed consolidated balance sheet at September 30, 2004. The Company will periodically evaluate whether any indicators of impairment surrounding the GWS investment are present and, if so, consider whether any adjustments to the carrying value of the investment in GWS should be recorded.

6. Product Warranties

The Company generally offers a two-year warranty for all of its products. The Company provides for the estimated cost of product warranties at the time product revenue is recognized. Factors that affect the Company’s warranty reserves include the number of units sold, historical and anticipated rates of warranty returns and the cost per return. The Company periodically assesses the adequacy of the warranty reserves and adjusts the amounts as necessary. Warranty obligations are included in accrued liabilities in the accompanying condensed consolidated balance sheets.

Product warranty activity for the nine months ended September 30, 2004 was as follows (in thousands):

Balance as of December 31, 2003	$1,268
Accruals for warranties for products sold in the period	243
Fulfillment of warranty obligations and revisions of estimated obligations	(213)
Balance as of September 30, 2004	$1,298

7. Income Taxes

Tax provisions in 2004 have been provided for estimated income taxes due in various state and international taxing jurisdictions for which losses incurred by the Company cannot be offset, and for federal and state taxes for certain minority-owned subsidiaries that are not part of the Company’s consolidated income tax returns. During the third quarter of 2004, the Company provided additional tax expense for potential liabilities related to certain jurisdictions under examination aggregating $950,000, partially offset by a reduction in the tax reserves for certain jurisdictions due to tax periods closing aggregating $650,000.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2004
(Unaudited)

The Company operates in numerous taxing jurisdictions and is, therefore, subject to a variety of income and related taxes. The Company has provided for potential tax liabilities due in various jurisdictions which it judges to be probable and reasonably estimable in accordance with Statement of Financial Accounting Standards No. 5. Judgment is required in determining the income tax expense and related tax liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. The Company believes it has reasonably estimated its accrued taxes for all jurisdictions for all open tax periods. The Company assesses the adequacy of its tax and related accruals on a quarterly basis and adjusts appropriately as events warrant and open tax periods close. It is possible that the final tax outcome of these matters will be different from management's estimate reflected in the income tax provisions and accrued taxes. Such differences could have a material impact on the Company's income tax provision and operating results in the period in which such determination is made.

8. Comprehensive Income (Loss)

Total comprehensive loss was ($466,000) and ($1,875,000) for the three and nine months ended September 30, 2004, respectively and ($7,144,000) and ($19,754,000) for the three and nine months ended September 30, 2003, respectively. Other comprehensive income (loss) consisted principally of adjustments for foreign currency translation gains and (losses) in the amounts of $8,000 and ($3,000) and unrealized gains and (losses) on available for sale securities in the amount of $98,000 and ($171,000) for the three and nine months ended September 30, 2004, respectively.

9. Legal Proceedings

As previously disclosed in Vicor's Form 10-K for the year ended December 31, 2003, and Forms 10-Q for the three months ended March 31, 2004 and June 30, 2004, the Company was engaged in litigation with Exar Corporation ("Exar"), a former vendor, who had filed a complaint against the Company in the Superior Court of the State of California, County of Alameda (the "Superior Court"). In addition, the Superior Court granted the Company's motion to add as third party defendants to the case, Rohm Co. Ltd., Rohm Corporation and Rohm Device U.S.A., LLC ("Rohm Entities"). Effective July 8, 2004, Vicor, Exar and the Rohm Entities entered into a Settlement Agreement and Mutual Limited Releases, resulting in the entry of a dismissal with prejudice by the Superior Court on July 20, 2004. As a result, the Company recorded a non-recurring $800,000 reduction in an accrual recorded through cost of sales associated with the litigation.

As previously disclosed in Vicor's Form 10-K for the year ended December 31, 2003, and Forms 10-Q for the three months ended March 31, 2004 and June 30, 2004, Vicor and VLT, Inc. ("VLT"), a wholly owned subsidiary of the Company, are pursuing Reset Patent infringement claims directly against Artesyn Technologies, Lambda Electronics, Lucent Technologies, Tyco Electronics Power Systems, Inc. and Power-One. On May 24, 2004, the Court of Appeals for the Federal Circuit affirmed the decisions issued in January, 2003, by the Federal District Court, Boston, Massachusetts, in each of Vicor's patent

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2004
(Unaudited)

infringement lawsuits against each of the above-named companies. As previously reported, the District Court's decisions related to claim construction and validity of Vicor's Reset Patent (U. S. Patent Re. 36,098). The judgment affirms the validity of the patent claims; rejects assertions that the claims are invalid for indefiniteness; and affirms Vicor's interpretation of several terms used in the claims. However, the Appeals Court judgment also affirms the District Court's interpretations of certain terms that were contrary to Vicor's position. Vicor believes that the affirmation of the District Court's interpretations strengthens its position regarding validity of the patent. Affirmation of the District Court's claim construction, however, reduces the cumulative amount of infringing power supplies and the corresponding amount of potential damages. There can be no assurance that Vicor and VLT will ultimately prevail with respect to any of these claims or, if they prevail, as to the amount of damages that would be awarded.

In Ericsson Wireless Communications, Inc. v. Vicor Corporation filed in Superior Court of the State of California, County of San Diego in May 2004, the plaintiff has brought an action against the Company claiming unspecified damages for failure of out-of warranty products previously purchased by it from the Company. The Company believes the claims are without merit and will defend the action vigorously.

In addition, the Company is involved in certain other litigation incidental to the conduct of its business. While the outcome of lawsuits against the Company cannot be predicted with certainty, management does not expect any current litigation to have a material adverse impact on the Company's financial position or results of operations.

10. Impact of Recently Issued Accounting Standards

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," (FIN 46) and in December 2003 issued a revised FIN 46 (FIN 46R) which addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. FIN 46R requires consolidation of a variable interest entity if the reporting entity is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the variable interest entity's residual returns or both. The consolidation requirements of FIN 46R apply immediately to variable interest entities created after January 31, 2003, and to all other existing structures commonly referred to as special-purpose entities. The consolidation requirements were applied to variable interest entities created prior to January 31, 2003, other than special-purpose entities, in the first quarter of 2004. The adoption of FIN 46 and the revised FIN 46R did not have a significant impact on the Company's financial position or results of operations.

In March 2004, the Emerging Issues Task Force ("EITF") reached consensus on EITF 03-6 "Participating Securities and the Two-Class Method Under FASB Statement 128, *Earnings Per Share*," which requires that convertible participating securities should be included in the computation of basic earnings per share using the two-class method. The Company's Class B Common Stock are not participating securities, as they share equally in the undistributed earnings of the Company. Therefore, EITF 03-6 has no impact on the Company's financial position or results of operations.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
September 30, 2004
(Unaudited)

In June 2004, the EITF reached a consensus on EITF 02-14, “Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock”, which addresses the application of the equity method of accounting as described in APB Opinion No. 18, “The Equity Method of Accounting for Investments in Common Stock”, in situations in which an investor exercises significant influence over the investee but does not have an investment in the voting common stock of the investee. The EITF concluded that an investor should apply the equity method of accounting to investments in “in-substance common stock” if the investor has the ability to exercise significant influence over the operating and financial policies of the investee. In reaching this consensus, the EITF agreed on a definition of “in-substance common stock”, determined when entities should evaluate whether investments are in-substance common stock subject to the equity method, and provided transition guidance. The consensus is to be applied for reporting periods beginning after September 15, 2004. The Company does not believe the adoption of EITF 02-14 will have a significant impact on the Company’s financial position or results of operations.

11. License Agreement

On June 30, 2004, the Company announced that it had entered into a non-exclusive license with Sony Corporation (“Sony”) to design and manufacture power converters, using V•I Chip technology and Factorized Power, for use within its products and for sale to its customers in certain agreed-upon applications. The license also grants Sony rights to manufacture certain semiconductor components that are used in V•I Chips. Royalties are based upon the value of the licensed converters used or sold.

12. Reclassification

At December 31, 2003, the Company reclassified certain auction rate securities from cash and cash equivalents to short-term investments for the year ended December 31, 2003 and for all prior periods. As a result, certain amounts were reclassified in the accompanying condensed consolidated statement of cash flows for the nine months ended September 30, 2003 to conform to the 2004 presentation.

13. Dividend

On July 22, 2004, the Company’s Board of Directors approved an annual cash dividend for 2004 of $.08 per share of the Company’s stock. The total dividend of approximately $3,371,000 was paid on August 31, 2004 to shareholders of record at the close of business on August 11, 2004.

Dividends are declared at the discretion of the Company’s Board of Directors and depend on actual cash from operations, the Company’s financial condition and capital requirements and any other factors the Company’s Board of Directors may consider relevant.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
September 30, 2004

Item 2 - Management's Discussion and Analysis of
Financial Condition and Results of Operations
September 30, 2004

Except for historical information contained herein, some matters discussed in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believes," "expects," "anticipates," "intend," "estimate," "plans," "assumes," "may," "will," "would," "continue," "prospective," "project," and other similar expressions identify forward-looking statements. These statements are based upon the Company's current expectations and estimates as to the prospective events and circumstances which may or may not be within the Company's control and as to which there can be no assurance. Actual results could differ materially from those projected in the forward-looking statements as a result of various factors, including our ability to develop and market new products and technologies cost effectively, to leverage design wins into increased product sales, to decrease manufacturing costs, to enter into licensing agreements that amplify the market opportunity and accelerate market penetration, to realize significant royalties under the license agreements, to achieve an increased bookings rate over a longer period, and to successfully leverage the V•I Chips in standard products to promote market acceptance of Factorized Power, and those factors described in the risk factors set forth in this report and in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. Reference is made in particular to the discussions set forth below in this report under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and set forth in the Annual Report on Form 10-K under Part I, Item 1 — "Business — Second-Generation Automated Manufacturing Line," "—Competition," "—Patents," "—Licensing," and "—Risk Factors," under Part I, Item 3 — "Legal Proceedings," and under Part II, Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations." The risk factors contained in the Annual Report on Form 10-K may not be exhaustive. Therefore, the information contained in that Form 10-K should be read together with other reports and documents that the Company files with the Securities and Exchange Commission from time to time, including Forms 10-Q, 8-K and 10-K, which may supplement, modify, supersede or update those risk factors. The Company does not undertake any obligation to update any forward-looking statements as a result of future events or developments.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
September 30, 2004
(Continued)

Results of Operations

Three months ended September 30, 2004 compared to three months ended September 30, 2003

Net revenues for the third quarter of 2004 were $43,048,000, an increase of $7,171,000 (20.0%) as compared to $35,877,000 for the same period a year ago, but a decrease of 5.1% on a sequential basis from the second quarter of 2004. The increase in net revenues from the prior year resulted primarily from an increase in unit shipments of standard and custom products of approximately $7,233,000 offset by a decrease in license revenue of $62,000. Orders during the quarter decreased by 7.8% compared with the second quarter of 2004. The book-to-bill ratio for the third quarter of 2004 was .94:1 as compared to 1.05:1 for the third quarter of 2003 and .97:1 in the second quarter of 2004.

Gross margin for the third quarter of 2004 increased $7,644,000 (89.0%) to $16,231,000 from $8,587,000 for the third quarter of 2003, and increased to 37.7% from 23.9% as a percentage of net revenues. The primary components of the increase in gross margin dollars and percentage were due to the higher levels of shipments and increased productivity. The improvement was partially offset by increased depreciation of approximately $252,000 resulting from shortening of the useful lives of certain equipment as a consequence of the conversion of second-generation products to the FasTrak platform.

Selling, general and administrative expenses were $10,141,000 for the period, a decrease of $89,000 (0.9%) from the same period in 2003. As a percentage of net revenues, selling, general and administrative expenses decreased to 23.6% from 28.5%, primarily due to the increase in net revenues. The principal components of the $89,000 decrease were $217,000 (31.0%) of decreased advertising expense and $170,000 (23.7%) of decreased costs associated with the Vicor Integration Architects ("VIAs"). The principal components offsetting the above decreases were $211,000 (24.3%) in increased commission expense and $97,000 (2.2%) in increased compensation expense.

Research and development expenses increased $660,000 (10.9%) to $6,706,000, but decreased as a percentage of net revenues to 15.6% from 16.9% primarily due to the increase in net revenues. The principal components of the $660,000 increase were $259,000 (46.4%) in increased project material costs, $153,000 (5.3%) in increased compensation expense, $127,000 (498.3%) in increased tooling costs and $52,000 (3.9%) in increased development costs associated with the automation, test and mechanical engineering groups, as less of these departments' efforts were associated with internally constructed manufacturing and test equipment in 2004 as compared to 2003. The increases in project materials costs and increased tooling costs were principally due to the development efforts associated with the Company's new Factorized Power Architecture ("FPA") products.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
September 30, 2004
(Continued)

The major changes in the components of the other income (expense), net were as follows (in thousands):

	2004	2003	Increase (decrease)
Interest income	$461	$ 504	$ (43)
Other than temporary decline in Scipher plc investment	(43)	—	(43)
Write-down of obsolete equipment	(42)	(334)	292
Minority interest in net income of subsidiaries	(41)	(209)	168
Foreign currency gains (losses)	(32)	(8)	(24)
Adjustment to VAT refunds	220	—	220
Other	21	(67)	88
	$544	$(114)	$658

Loss before income taxes was $72,000 for the third quarter of 2004 compared to a loss before income taxes of $7,803,000 for the same period in 2003.

Tax provisions in 2004 have been provided for estimated income taxes due in various state and international taxing jurisdictions for which losses incurred by the Company cannot be offset, and for federal and state taxes for certain minority-owned subsidiaries that are not part of the Company's consolidated income tax returns. During the third quarter of 2004, the Company provided additional tax expense for potential liabilities related to certain jurisdictions under examination aggregating $950,000, partially offset by a reduction in the tax reserves for certain jurisdictions due to tax periods closing aggregating $650,000.

Diluted loss per share was $(0.01) for the third quarter of 2004 compared to diluted loss per share of $(0.17) for the third quarter of 2003.

Nine months ended September 30, 2004 compared to nine months ended September 30, 2003

Net revenues for the first nine months of 2004 were $130,943,000, an increase of $18,633,000 (16.6%) as compared to $112,310,000 for the same period a year ago. The increase in net revenues resulted primarily from an increase in unit shipments of standard and custom products of approximately $19,027,000, partially offset by a decrease in license revenue of $394,000. Orders during the first nine months of 2004 increased by 12.6% compared with the last nine months of 2003. The book-to-bill ratio was 1.01:1 for the first nine months of 2004 and 2003 and was 1.04:1 for the last nine months of 2003. The decrease in license revenue was due to receipt of the final royalty payment from Nagano Japan Radio Company, Ltd. ("NJRC") in January 2004.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
September 30, 2004
(Continued)

Gross margin for the first nine months of 2004 increased $20,580,000 (73.4%) to $48,611,000 from $28,031,000 for the first nine months of 2003, and increased to 37.1% from 25.0% as a percentage of net revenues. The primary components of the increase in gross margin dollars and percentage were due to the higher levels of shipments, increased productivity and a non-recurring $800,000 reduction in an accrual recorded through cost of sales associated with the settlement of a commercial dispute (see Part II, Item 1 – "Legal Proceedings").

Selling, general and administrative expenses were $30,926,000 for the period, a decrease of $22,000 (0.1%) over the same period in 2003. As a percentage of net revenues, selling, general and administrative expenses decreased to 23.6% from 27.6%, due to the increase in net revenues. The principal components of the $22,000 decrease were $707,000 (32.3%) of decreased advertising expenses and $402,000 (18.2%) of decreased depreciation expense, primarily related to computer hardware and software. These decreases were offset by $634,000 (55.0%) of increased legal expenses due to the litigation with Exar Corporation and with Ericsson Wireless Communications, Inc., and $364,000 (13.4%) in increased commission expense, due to the higher revenues.

Research and development expenses increased $1,941,000 (11.3%) to $19,154,000 and decreased slightly as a percentage of net revenues to 14.6% from 15.3%. The principal components of the $1,941,000 increase were $630,000 (41.2%) of increased project material cost, $508,000 (6.1%) of increased compensation expense, $333,000 (9.4%) of increased development costs associated with the automation, test and mechanical engineering groups, as less of these departments' efforts were associated with internally constructed manufacturing and test equipment in 2004 as compared to 2003, and $236,000 (132.0%) of increased tooling costs. The increases in project material costs, compensation expense and tooling costs were principally due to the development efforts associated with the Company's new FPA products.

The major changes in the components of the other income (expense), net were as follows (in thousands):

	2004	2003	Increase (decrease)
Interest income	$1,214	$1,278	$ (64)
Minority interest in net income of subsidiaries	(437)	(450)	13
Adjustment to VAT refunds	220	—	220
Foreign currency gains (losses)	(100)	206	(306)
Other than temporary decline in Scipher plc investment	(70)	(391)	321
Write-down of obsolete equipment	(52)	(334)	282
Other	78	(85)	163
	$ 853	$ 224	$ 629

VICOR CORPORATION
Management's Discussion and Analysis of
Financial Condition and Results of Operations
September 30, 2004
(Continued)

Loss before income taxes was $616,000 compared to a loss before income taxes of $19,906,000 for the same period in 2003.

Diluted loss per share was $(0.04) for the first nine months of 2004, compared to diluted loss per share of $(0.47) for the first nine months of 2003.

Liquidity and Capital Resources

At September 30, 2004 the Company had $38,325,000 in cash and cash equivalents. The ratio of current assets to current liabilities was 7.7:1 at September 30, 2004 compared to 7.9:1 at December 31, 2003. Working capital increased $6,763,000, from $140,547,000 at December 31, 2003 to $147,310,000 at September 30, 2004. The primary factors affecting the working capital increase were an increase in short-term investments of $9,063,000 and an increase in inventory of $3,943,000. These increases were offset by a decrease in cash and cash equivalents of $3,398,000 and other current assets of $1,790,000, and an increase in current liabilities of $1,404,000. The primary sources of cash for the nine months ended September 30, 2004 were $13,927,000 from operating activities and $2,327,000 in net proceeds from the issuance of Common Stock upon the exercise of stock options. The primary uses of cash for the nine months ended September 30, 2004 were for the net purchases of short-term investments of $10,133,000, the payment of a common stock dividend of $3,371,000 and the acquisition of equipment of approximately $3,283,000.

The Company's primary liquidity needs are for making continuing investments in manufacturing equipment, much of which is built internally, particularly equipment for the Company's new Factorized Power Architecture ("FPA") products. The internal construction of manufacturing machinery, in order to provide for additional manufacturing capacity, is a practice which the Company expects to continue in the future. The Company expects capital spending to be approximately the same in 2004 as 2003, which is less than the spending in 2002 and 2001. The Company's automation, test and mechanical engineering groups, which build the manufacturing equipment internally, are spending more time in development and support and maintenance activities in 2004, the costs of which are expensed.

In November 2000, the Board of Directors of the Company authorized the repurchase of up to $30,000,000 of the Company's Common Stock (the "November 2000 Plan"). The November 2000 Plan authorizes the Company to make such repurchases from time to time in the open market or through privately negotiated transactions. The timing and amounts of stock repurchases are at the discretion of management based on its view of economic and financial market conditions. The Company spent approximately $606,000 for the repurchase of 56,900 shares of Common Stock during the nine months ended September 30, 2004. As of September 30, 2004, the Company had approximately $25,400,000 remaining under the plan.

On July 22, 2004, the Company's Board of Directors approved an annual cash dividend for 2004 of $.08 per share of the Company's stock. The total dividend of approximately $3,371,000 was paid on August 31, 2004 to shareholders of record at the close of business on August 11, 2004.

VICOR CORPORATION
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(Continued)

The Company believes that cash generated from operations and the total of its cash and cash equivalents, together with other sources of liquidity, will be sufficient to fund planned operations and capital equipment purchases for the foreseeable future. At September 30, 2004, the Company had approximately $712,000 of capital expenditure commitments.

The Company does not consider the impact of inflation and changing prices on its business activities or fluctuations in the exchange rates for foreign currency transactions to have been significant during the last three fiscal years.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to a variety of market risks, including changes in interest rates affecting the return on its cash and cash equivalents and short-term investments and fluctuations in foreign currency exchange rates.

As the Company's cash and cash equivalents consist principally of money market securities, which are short-term in nature, the Company's exposure to market risk on interest rate fluctuations for these investments is not significant. The Company's short-term investments consist mainly of corporate debt securities. These debt securities are all highly rated investments, in which a significant portion have interest rates reset at auction at regular intervals. As a result, the Company believes there is minimal market risk to these investments.

The Company's exposure to market risk for fluctuations in foreign currency exchange rates relates primarily to the operations of Vicor Japan Company, Ltd. ("VJCL") and changes in the dollar/yen exchange rate. The Company believes that this market risk is currently not material due to the relatively small size of VJCL's operations.

Item 4 - Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's management conducted an evaluation with the participation of the Company's Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of the Company's disclosure controls and procedures, as of the end of the last fiscal quarter. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that any controls and procedures, no matter how well designed and operated, can provide only a reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that they believe the Company's disclosure controls and procedures are reasonably effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. We intend to continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and we may from time to time make changes to the disclosure controls and procedures to enhance their effectiveness and to ensure that our systems evolve with our business.

(b) Change in internal controls

There were no changes in the Company's internal control over financial reporting identified in connection with the Company's evaluation of its disclosure controls and procedures that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

VICOR CORPORATION

Part II — Other Information
September 30, 2004

Item 1 - Legal Proceedings

As previously disclosed in Vicor's Form 10-K for the year ended December 31, 2003, and Forms 10-Q for the three months ended March 31, 2004 and June 30, 2004, the Company was engaged in litigation with Exar Corporation ("Exar"), a former vendor, who had filed a complaint against the Company in the Superior Court of the State of California, County of Alameda (the "Superior Court"). In addition, the Superior Court granted the Company's motion to add as third party defendants to the case, Rohm Co. Ltd., Rohm Corporation and Rohm Device U.S.A., LLC ("Rohm Entities"). Effective July 8, 2004, Vicor, Exar and the Rohm Entities entered into a Settlement Agreement and Mutual Limited Releases, resulting in the entry of a dismissal with prejudice by the Superior Court on July 20, 2004. As a result, the Company recorded a non-recurring $800,000 reduction in an accrual recorded through cost of sales associated with the litigation during the second quarter of 2004.

As previously disclosed in Vicor's Form 10-K for the year ended December 31, 2003, and Forms 10-Q for the three months ended March 31, 2004 and June 30, 2004, Vicor and VLT, Inc. ("VLT"), a wholly owned subsidiary of the Company, are pursuing Reset Patent infringement claims directly against Artesyn Technologies, Lambda Electronics, Lucent Technologies, Tyco Electronics Power Systems, Inc. and Power-One. On May 24, 2004, the Court of Appeals for the Federal Circuit affirmed the decisions issued in January, 2003, by the Federal District Court, Boston, Massachusetts, in each of Vicor's patent infringement lawsuits against each of the above-named companies. As previously reported, the District Court's decisions related to claim construction and validity of Vicor's Reset Patent (U. S. Patent Re. 36,098). The judgment affirms the validity of the patent claims; rejects assertions that the claims are invalid for indefiniteness; and affirms Vicor's interpretation of several terms used in the claims. However, the Appeals Court judgment also affirms the District Court's interpretations of certain terms that were contrary to Vicor's position. Vicor believes that the affirmation of the District Court's interpretations strengthens its position regarding validity of the patent. Affirmation of the District Court's claim construction, however, reduces the cumulative amount of infringing power supplies and the corresponding amount of potential damages. There can be no assurance that Vicor and VLT will ultimately prevail with respect to any of these claims or, if they prevail, as to the amount of damages that would be awarded.

In Ericsson Wireless Communications, Inc. v. Vicor Corporation filed in Superior Court of the State of California, County of San Diego in May 2004, the plaintiff has brought an action against the Company claiming unspecified damages for failure of out-of warranty products previously purchased by it from the Company. The Company believes the claims are without merit and will defend the action vigorously.

In addition, the Company is involved in certain other litigation incidental to the conduct of its business. While the outcome of lawsuits against the Company cannot be predicted with certainty, management does not expect any current litigation to have a material adverse impact on the Company's financial position or results of operations.

VICOR CORPORATION

Part II - Other Information
September 30, 2004
(Continued)

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2004	—	—	—	$26,000,000
August 1 - 31, 2004	56,900	$10.65	56,900	$25,400,000
September 1 - 30, 2004	—	—	—	$25,400,000

In November 2000, the Board of Directors of the Company authorized the repurchase of up to $30,000,000 of the Common Stock. The November 2000 Plan was announced November 30, 2000.

Item 3 - Defaults Upon Senior Securities

Not applicable.

Item 4 - Submission of Matters to a Vote of Security Holders

Not applicable

Item 5 - Other Information

Not applicable.

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VICOR CORPORATION

Part II — Other Information
September 30, 2004
(Continued)

Item 6 - Exhibits and Reports on Form 8-K

a. Exhibits

Exhibit Number	Description
10.1	Form of Non-Qualified Stock Option under the Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b. Reports on Form 8-K

The Company furnished a Current Report on Form 8-K on July 20, 2004 (Items 7 and 12) and filed a Current Report on Form 8-K on July 22, 2004 (Items 5 and 7).

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.

VICOR CORPORATION

Date: November 3, 2004

By: /s/ Patrizio Vinciarelli
Patrizio Vinciarelli
President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)

Date: November 3, 2004

By: /s/ Mark A. Glazer
Mark A. Glazer
Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

VICOR CORPORATION

FORM OF NONQUALIFIED STOCK OPTION
TO PURCHASE SHARES OF COMMON STOCK
AWARDED TO

Name of Optionee: Option Number:
ID: Plan:

Effective_________, you have been granted a Non-Qualified Stock Option to buy ________shares of Common Stock of VICOR CORPORATION (the "Company") at an Option Exercise Price of _____per share.

The total option price of the shares granted is _________.

Option shares will become vested and exercisable on the vesting dates shown below.

NUMBER OF OPTION SHARES EXERCISABLE	VESTING DATE	EXPIRATION DATE

Pursuant to its Amended and Restated 2000 Stock Option and Incentive Plan, as amended (the "Plan"), from time to time, the Company hereby evidences the grant to the Optionee named above of an Option to purchase on or prior to the Expiration Date specified above all or any part of the number of shares of Common Stock of the Company specified above (the "Option Shares") at the Option Exercise Price per share specified above, in accordance with the vesting schedule set forth above and subject to the terms and conditions set forth in the attached "Terms and Conditions" and in the Plan, including, without limitation, the provisions of Section 9 of the "Terms and Conditions" relating to compliance with the terms of any Employee Agreement executed by the Optionee.

In addition, concurrently with, and as a condition to, any exercise of Options granted pursuant hereto, an administration fee equal to 6% of the product of (A) the number of Option Shares being acquired pursuant to such exercise and (B) the exercise price per share of such Options, shall be payable by the Optionee of the Company, and the Company shall have the right to deduct such administration fee from any payment of any kind otherwise due to the Optionee.

Receipt is acknowledged of the foregoing Option and its terms and conditions set forth above and in the attached "Terms and Conditions" are hereby agreed to. I have executed the Company's Employee Agreement referenced in the Terms and Conditions and agreed to be bound by the terms thereof. I understand that the execution of such agreement is a necessary precondition to the effectiveness of this Option.

- -------------------------------------- -------------------------------
VICOR CORPORATION - President Date

- -------------------------------------- -------------------------------
Optionee: Date
Address:

TERMS AND CONDITIONS FOR:

NON-QUALIFIED STOCK OPTIONS UNDER THE VICOR CORPORATION
AMENDED AND RESTATED 2000 STOCK OPTION AND INCENTIVE PLAN

This document sets forth the terms and conditions of an Option under the above referenced Plan and should be attached to the Option cover page signed by the Company and each recipient of an Option (an "Optionee"). This Option is intended to be a non-qualified stock option and is not intended to be treated and shall not be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

1. Vesting. Subject to the provisions of Section 4 below, and except as otherwise determined by the Board of Directors or the Compensation Committee of the Company to accelerate the vesting schedule set forth on the cover page hereto, this Option shall become vested and exercisable with respect to the number of Option Shares set forth under the heading "Number of Option Shares Exercisable" on the respective "Vesting Dates," provided that Optionee continues to be employed by the Company or a Subsidiary (as defined in the Plan) during such periods. Subject to the terms of the Plan and these Terms and Conditions, once vested, this Option shall continue to be exercisable at any time or times, in whole or in part, prior to the Expiration Date.

2. Exercise of Stock Option.

(a) Optionee may exercise this Option only in the following manner: From time to time prior to the earlier to occur of the Expiration Date of this Option or the date determined pursuant to Section 4 below, Optionee may give written notice (the "Notice") to the Company of an election to purchase some or all of the vested Option Shares purchasable at the time of the Notice. The Notice shall specify the number of shares to be purchased and shall be accompanied (i) by payment therefore by one or more of the following methods: (x) in cash, by certified or bank check in an amount equal to the Option Exercise Price per share multiplied by the number of shares specified in the Notice (the "Total Option Price"), (y) if permitted under applicable laws and regulations, in shares of Common Stock of the Company that are then freely transferable by Optionee and that have been beneficially owned by the Optionee for at least six months or have been purchased by the Optionee on the open market (such shares being valued at Fair Market Value on the date of exercise), or (z) by delivery of the Notice together with irrevocable instructions to a broker to promptly deliver the Total Option Price to the Company in cash or by other method of payment acceptable to the Company; provided, however, that Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity or other agreements as the Company shall prescribe as a condition of payment under this clause (z), and (ii) by such agreement, statement or other evidence as the Company may require in order to satisfy itself that the issuance of the Option Shares being purchased pursuant to such exercise and any subsequent resale thereof will be in compliance with applicable laws and regulations, including without limitation all applicable federal and state securities laws and regulations.

(b) No certificates for the Option Shares so purchased will be issued to Optionee until the Company has completed all steps required hereunder and by law to be taken in connection with the issue and sale of the shares. Until Optionee shall have complied with the requirements hereof and of the Plan, the Company shall be under no obligation to issue the Option Shares subject to this Option, and the determination of the Compensation Committee as to such compliance shall be final and binding on Optionee. Optionee shall not be deemed for any purpose to be the owner of any Option Shares subject to this Option until such Option Shares shall have been issued in accordance with the foregoing provisions.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Option shall be exercisable after the Expiration Date.

3. Non-transferability. Except as provided in Section 4 below, this Option is personal to Optionee, is non-assignable and is not transferable by Optionee in any manner, by operation of law or otherwise, and the Option is exercisable, during Optionee's lifetime, only by Optionee.

4. Termination of Employment. If Optionee's employment terminates for any reason other than death, Disability (as defined in Section 22(e)(3) of the Code), retirement or Cause (as hereinafter defined), this Option may be exercised, to the extent exercisable on the date of termination, for ninety (90) calendar days from the date of termination, or until the Expiration

Date, if earlier. Any portion of this Option that is not exercisable on the date of Optionee's termination shall terminate immediately and be of no further force or effect. If such termination of employment results from Optionee's death or Disability, (i) all of the Option Shares that, but for the termination resulting from such Optionee's death or Disability, would have vested and become exercisable on or prior to the first anniversary of such termination had Optionee remained employed by the Company until such anniversary date shall become fully vested and remain exercisable until the earlier of such anniversary date or the Expiration Date and (ii) any vested portion of the Option exercisable at the time of such termination resulting from such death or Disability may be thereafter exercised by Optionee's legal representative, or the executors or administrators of Optionee's estate as the case may be, until the earlier of the first anniversary of such termination or the Expiration Date. In addition, any Option held by an Optionee whose employment by the Company and it Subsidiaries terminates by reason of retirement at or after the Optionee's attainment of the age of 62.5 years shall remain outstanding and subject to the terms of the Plan and these Terms and Conditions as though such Optionee's employment had not ceased. Notwithstanding anything herein to the contrary, if Optionee's employment by the Company and its Subsidiaries terminates for Cause, then all rights under this Option shall terminate on the date on which Optionee ceases to be an employee (subject to the discretion of the Committee to permit exercise of the Option for a period of no more than thirty (30) days or, if earlier, the Expiration Date). As used herein, "Cause" means and shall be limited to a vote of the Board of Directors resolving that Optionee should be dismissed as a result of, (i) any material breach by Optionee of any agreement to which Optionee and the Company are parties, (ii) any act (other than retirement or an act resulting in death or Disability) or omission to act by Optionee which may have a material and adverse effect on the business of the Company or any Subsidiary, including, without limitation, the commission of any crime (other than traffic violations), or (iii) any material misconduct or neglect of duties by Optionee in connection with the business affairs of the Company or any Subsidiary.

5. Adjustment Upon Changes in Capitalization. The shares of stock which are the subject of this Option are shares of the Common Stock of the Company as constituted on the date of this Option, subject to adjustment as provided in Section 3 of the Plan relating to changes in capitalization of the Company.

6. Change of Control. In the event of a Change of Control (as defined in Section 16 of the Plan), each outstanding Stock Option shall automatically become fully exercisable.

7. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Option shall be subject to and governed by all the terms and conditions of the Plan. In the event of any inconsistency between this Option and the Plan, the terms and conditions of the Plan shall govern. All capitalized terms used in these Terms and Conditions shall have the respective meanings ascribed to them in the Plan unless a different meaning is specified herein.

8. Tax Withholding. Optionee shall, no later than the date as of which the value of this Option or of any Common Stock issued upon the exercise of the Option first becomes includable in the gross income of Optionee for federal income tax purposes, pay to the Company, or make arrangements with the Company in accordance with Section 12 of the Plan, regarding payment of any federal, state, or local taxes of any kind required by law to be withheld with respect to such income.

9. Employee Agreement. The execution by the Optionee of the Company's Employee Agreement in the form presented by the Company (the "Employee Agreement") is a necessary precondition of the effectiveness of this Option. Optionee must acknowledge that he/she has signed the Employee Agreement as indicated on the Option cover page. The effectiveness of the Employee Agreement shall continue regardless of whether or not Optionee exercises his/her rights under this Option, and regardless of any expiration of this Option. Optionee acknowledges and agrees that the Option evidenced hereby is granted on the understanding that Optionee has executed and delivered to the Company the Employee Agreement and that Optionee has and will comply with the terms of such Employee Agreement. Optionee understands and agrees that in the event Optionee violates such Employee Agreement, the Company shall be entitled, in addition to any other remedies at law or in equity that may be available to it, to recover from Optionee, and Optionee agrees to repay to the Company, the full amount of any proceeds realized by Optionee, within the two year period prior to the date of such violation or at any time thereafter, from the exercise of all or any portion of this Option and the sale of any Option Shares acquired thereby, net of the amount of any brokerage commission or expense relating to such sale and

after deduction of the exercise price therefore paid by Optionee. Optionee understands and agrees that such recovery by the Company is intended to protect the

Company (including, without limitation, the value of the Common Stock of the Company) from unauthorized disclosure of confidential information and/or other activities by Optionee prohibited by such Employee Agreement. Notwithstanding anything to the contrary, this Option does not confer upon the Optionee any rights with respect to continuance of employment by the Company nor any Subsidiary, nor will it interfere in any way with any right of the Company to terminate Optionee's employment at any time.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business, and shall be mailed or delivered to Optionee at Optionee's address set forth on the cover page hereto, or in either case at such other address as one party may subsequently furnish to the other party in writing.

Exhibit 31.1

CERTIFICATIONS

I, Patrizio Vinciarelli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vicor Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 3, 2004

/s/ Patrizio Vinciarelli

Patrizio Vinciarelli
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Mark A. Glazer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vicor Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 3, 2004

/s/ Mark A. Glazer
Mark A. Glazer
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vicor Corporation (the "Company") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrizio Vinciarelli, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Patrizio Vinciarelli
- ----------------------
Patrizio Vinciarelli
President, Chairman of the Board and
Chief Executive Officer

November 3, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vicor Corporation (the "Company") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark A. Glazer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark A. Glazer
- ------------------
Mark A. Glazer
Chief Financial Officer

November 3, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.