SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 1998

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

23 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 X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of June 30, 1998.

Common Stock, $.01 par value ----------------29,953,633
Class B Common Stock, $.01 par value --------12,160,321

VICOR CORPORATION

INDEX TO FORM 10-Q

FORM 10-Q
PART 1
ITEM 1
PAGE 1

VICOR CORPORATION

Condensed Consolidated Balance Sheet
(In thousands)
(Unaudited)

	June 30, 1998	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,916	$ 84,859
Accounts receivable, net	29,390	35,258
Inventories, net	29,664	23,448
Other current assets	3,878	3,269
Total current assets	133,848	146,834
Property, plant and equipment, net	82,743	69,802
Notes receivable	9,118	9,097
Other assets	5,773	3,110
	$ 231,482	$ 228,843
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,411	$ 8,542
Accrued liabilities	12,668	10,025
Total current liabilities	23,079	18,567
Deferred income taxes	1,852	1,852
Stockholders' equity:		
Preferred Stock	--	--
Class B Common Stock	122	122
Common Stock	340	340
Additional paid-in capital	100,074	97,980
Retained earnings	160,626	151,056
Treasury stock, at cost	(54,611)	(41,074)
Total stockholders' equity	206,551	208,424
	$ 231,482	$ 228,843

Note: The balance sheet at December 31, 1997 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.

See accompanying notes.

VICOR CORPORATION

Condensed Consolidated Statement of Income
(In thousands except per share data)
(Unaudited)

	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Net revenues	$41,718	$39,718	$84,910	$77,657
Costs and expenses:				
Cost of revenue	22,878	19,302	45,323	37,179
Selling, general and administrative	8,576	7,483	16,893	14,930
Research and development	5,178	4,221	10,694	8,600
	36,632	31,006	72,910	60,709
Income from operations	5,086	8,712	12,000	16,948
Other income	1,310	1,230	2,722	2,332
Income before income taxes	6,396	9,942	14,722	19,280
Provision for income taxes	2,241	3,579	5,152	6,941
Net income	$ 4,155	$ 6,363	$ 9,570	$12,339
Net income per common share:				
Basic	$ 0.10	$ 0.15	$ 0.22	$ 0.29
Diluted	$ 0.10	$ 0.15	$ 0.22	$ 0.29
Shares outstanding:				
Basic	42,547	42,570	42,721	42,468
Diluted	43,019	43,258	43,358	43,088

See accompanying notes.

VICOR CORPORATION

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

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Operating activities:		
Net income	$ 9,570	$ 12,339
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,219	4,253
Gain on disposal of equipment	(24)	(8)
Change in current assets and liabilities, net	3,555	(1,702)
Net cash provided by operating activities	18,320	14,882
Investing activities:		
Additions to property, plant and equipment	(17,966)	(8,406)
Proceeds from sale of equipment	41	9
Increase in notes receivable	(21)	(5,215)
Increase in other assets	(2,874)	(382)
Net cash used in investing activities	(20,820)	(13,994)
Financing activities:		
Tax benefit relating to stock option plans	611	530
Proceeds from issuance of Common Stock	1,483	5,778
Acquisitions of treasury stock	(13,537)	--
Net cash (used in) provided by financing activities	(11,443)	6,308
Net (decrease) increase in cash and cash equivalents	(13,943)	7,196
Cash and cash equivalents at beginning of period	84,859	73,647
Cash and cash equivalents at end of period	$ 70,916	$ 80,843

See accompanying notes.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
June 30, 1998
(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 only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three- and six- months periods ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ended December 31, 1998. 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, 1997, contained in the Company's annual report filed on Form 10-K (File No. 0-18277) with the Securities and Exchange Commission.

2. NET INCOME PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Numerator:				
Net Income	$ 4,155	$ 6,363	$ 9,570	$12,339
Denominator:				
Denominator for basic income per share-weighted average shares	42,547	42,570	42,721	42,468
Effect of dilutive securities:				
Employee stock options	472	688	637	620
Denominator for diluted income per share-adjusted weighted-average shares and assumed conversions	43,019	43,258	43,358	43,088
Basic income per share	$ 0.10	$ 0.15	$ 0.22	$ 0.29
Diluted income per share	$ 0.10	$ 0.15	$ 0.22	$ 0.29

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
June 30, 1998
(Continued)

3. 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 June 30, 1998 and December 31, 1997 (in thousands):

	June 30, 1998	December 31, 1997
Raw materials	$19,932	$16,715
Work-in-process	4,749	3,774
Finished goods	4,983	2,959
	$29,664	$23,448

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
June 30, 1998

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. Actual results could differ materially from those projected in the forward-looking statements as a result of 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, 1997. 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 Item 1 -- "Business -- Second-Generation Automated Manufacturing Line," "--Competition," "--Patents," and "--Licensing," and under Item 7 -- "Management's Discussion and Analysis of Financial Condition and Results of Operations."

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1998, COMPARED TO THREE MONTHS ENDED JUNE 30, 1997

Net revenues for the second quarter of 1998 were $41,718,000, an increase of $2,000,000 (5.0%) as compared to $39,718,000 for the same period a year ago. The growth in net revenues resulted primarily from a net increase of unit shipments of standard and custom products of approximately $3,400,000, offset by a reduction in the sale of automated manufacturing line equipment of approximately $1,400,000.

Gross margin decreased $1,576,000 (7.7%) to $18,840,000 from $20,416,000, and decreased as a percentage of net revenues from 51.4% to 45.2%. The primary components of the decrease in gross margin dollars and percentage were attributable to commencement of depreciation on the second-generation automated production line in the second quarter of 1998 of approximately $1,100,000, and to changes in the revenue mix. The gross margins for the remainder of 1998 may be negatively impacted by the depreciation of the second-generation automated production line until higher production volumes and higher yield levels are attained. The Company is continuing to introduce selected models of its second-generation product families and increase production on the new manufacturing line; however, there can be no assurance that product development issues will not substantially delay the ultimate general introduction of the complete product line, require continued modification of product specifications, or prevent attainment of the anticipated capacity of the new manufacturing line. Significant revenues from the sale of any product in the Company's second-generation product line are not expected to occur for several quarters.

Selling, general and administrative expenses were $8,576,000 for the period, an increase of $1,093,000 (14.6%) over the same period in 1997. As a percentage of net revenues, selling, general and administrative expenses increased to 20.6% from 18.8%. The principal components of the $1,093,000 increase were $498,000 (17.1%) of increased compensation expense due to growth in staffing levels of selling and administrative personnel; $261,000 (428.4%) of increased costs for training and consulting fees for the implementation of the new Enterprise Resource Planning system, and $233,000 (25.1%) of increased advertising costs.

Research and development expenses increased $957,000 (22.7%) to $5,178,000 and increased as a percentage of net revenues to 12.4% from 10.6%. The principal component of the $957,000 increase was $898,000 (37.1%) of increased compensation expense due to growth in staffing levels of engineering personnel, primarily related to the research and development of the second-generation product line.

Other income increased $80,000 (6.5%) from the same period a year ago, to $1,310,000. Other income is primarily comprised of interest income derived from invested cash and cash equivalents, as well as notes receivable associated with the Company's real estate transactions. Interest income increased primarily due to an increase in these balances.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
June 30, 1998
(continued)

Income before income taxes was $6,396,000, a decrease of $3,546,000 (35.7%) compared to the same period in 1997. As a percentage of net revenues, income before income taxes decreased from 25.0% to 15.3% primarily due to the gross margin decrease and the increase in operating expenses as discussed above.

The effective tax rate for the second quarter of 1998 was 35%, compared to 36% for the same period in 1997.

Net income per share (diluted) was $.10 for the second quarter of 1998, compared to $.15 for the second quarter of 1997, a decrease of $.05 (33.3%).

SIX MONTHS ENDED JUNE 30, 1998, COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

Net revenues for the first six months of 1998 were $84,910,000, an increase of $7,253,000 (9.3%) as compared to $77,657,000 for the same period a year ago. The growth in net revenues resulted primarily from a net increase of unit shipments of standard and custom products of approximately $11,500,000, offset by reductions in license income and the sale of automated manufacturing line equipment of approximately $1,000,000 and $3,300,000, respectively.

Gross margin decreased $891,000 (2.2%) to $39,587,000 from $40,478,000, and decreased as a percentage of net revenues from 52.1% to 46.6%. The primary components of the decrease in gross margin dollars and percentage were attributable to commencement of depreciation on the second-generation automated production line in the second quarter of 1998 of approximately $1,100,000, and to changes in the revenue mix. As discussed above, the gross margins for the remainder of 1998 may be negatively impacted by the depreciation of the second-generation automated production line until higher production volumes and higher yield levels are attained.

Selling, general and administrative expenses were $16,893,000 for the period, an increase of $1,963,000 (13.1%) over the same period in 1997. As a percentage of net revenues, selling, general and administrative expenses increased to 19.9% from 19.2%. The principal components of the $1,963,000 increase were $710,000 (945.4%) of increased costs for training and consulting fees for the implementation of the new Enterprise Resource Planning system; $652,000 (11.6%) of increased compensation expense due to growth in staffing levels of selling and administrative personnel; $360,000 (16.5%) of increased sales commission expense, and an increase in the Company's VIA subsidiaries' selling, general and administrative expenses of $146,000 (18.1%).

Research and development expenses increased $2,094,000 (24.3%) to $10,694,000 and increased as a percentage of net revenues to 12.6% from 11.1%. The increase was primarily related to the research and development of the second-generation product line. The principal components of the $2,094,000 increase were $1,543,000 (31.9%) of increased compensation expense due to growth in staffing levels of engineering personnel; $270,000 (16.7%) of increased project material costs and $159,000 (20.9%) of increased depreciation expense.

Other income increased $390,000 (16.7%) from the same period a year ago, to $2,722,000. Other income is primarily comprised of interest income derived from invested cash and cash equivalents, as well as notes receivable associated with the Company's real estate transactions. Interest income increased primarily due to an increase in these balances.

Income before income taxes was $14,722,000, a decrease of $4,558,000 (23.6%) compared to the same period in 1997. As a percentage of net revenues, income before income taxes decreased from 24.8.% to 17.3% primarily due to the gross margin decrease and the increase in operating expenses as discussed above.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
June 30, 1998
(continued)

The effective tax rate for the six months ended June 30, 1998 was 35%, compared to 36% for the same period in 1997.

Net income per share (diluted) was $.22 for the six months ended June 30, 1998, compared to $.29 for the same period in 1997, a decrease of $.07 (24.1%).

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1998 the Company had $70,916,000 in cash and cash equivalents. The ratio of current assets to current liabilities was 5.8:1 compared to 7.9:1 at December 31, 1997. Working capital decreased $17,498,000, from $128,267,000 at December 31, 1997 to $110,769,000 at June 30, 1998. The primary factors affecting the working capital decrease were a decrease in cash of $13,943,000, and a decrease in accounts receivable of $5,868,000. The primary uses of cash for the first six months of 1998 were for additions to property and equipment of $17,966,000 and the acquisition of treasury stock of $13,537,000, offset by cash provided by operating activities of $18,320,000.

In June 1998, the Company announced that it had agreed to acquire the principal assets of the switching power supply businesses owned by the Japan Tobacco, Inc. group ("JT"), and that it would establish a direct presence in Japan through a new company called Vicor Japan Company, Ltd. ("VJCL"). JT began purchasing automated manufacturing equipment from the Company in 1993, when it founded a company to manufacture licensed products in Japan. JT became Vicor's sole licensee in Japan in 1995, when it acquired a license to manufacture, market and sell products. Under the terms of the final agreement, Vicor and VJCL acquired all of the automated manufacturing equipment used for the manufacture of first and second generation modular converter products, existing raw material and finished goods inventories, customer lists and certain intellectual property. The transaction will be accounted for as of July 1, 1998. The Company anticipates making working capital investments in VJCL during the next several quarters in order to establish VJCL's operations, and there can be no assurance that revenues generated from VJCL's operations during these periods will be sufficient to fully offset such investments.

The Company plans to make continuing investments in manufacturing equipment, much of which is built internally. The internal construction of manufacturing machinery, in order to provide for additional manufacturing capacity, is a practice which the Company expects to continue over the next several years.

The Company has an unused line of credit with a bank under which the Company may borrow up to $4,000,000 on a revolving credit basis. 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 June 30, 1998, the Company had approximately $29,000,000 of capital expenditure commitments, including approximately $11,000,000 related to the construction of new and expanded facilities.

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.

IMPACT OF THE YEAR 2000

The Company is proceeding with its plans to address the Year 2000 Issue. Inception to date, the Company has incurred approximately $2.5 million ($917,000 expensed and $1.6 million capitalized, primarily for software and hardware for the new Enterprise Resource System), of which approximately $378,000 was incurred in the second quarter of 1998 ($321,000 expensed and $57,000 capitalized).

VICOR CORPORATION

Part II - Other Information
June 30, 1998

ITEM 1 - LEGAL PROCEEDINGS

The Company is involved in certain 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.

ITEM 2 - CHANGES IN SECURITIES

Not applicable.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

The Annual Meeting of Stockholders of the Company was held on June 25, 1998. All nominees of the Board of Directors of the Company were re-elected for a one year term. Votes were cast in the election of the directors as follows:

Nominee	Votes for	Votes Withheld
Patrizio Vinciarelli	145,301,078	230,872
Richard E. Beede	145,286,079	245,871
Estia J. Eichten	145,286,226	245,724
Jay M. Prager	145,286,181	245,769
David T. Riddiford	145,301,513	230,437
M. Michael Ansour	145,300,913	231,037

A proposal to approve and ratify the Company's 1998 Stock Option and Incentive Plan was approved by the Company's stockholders. Votes were cast for the proposal as follows:

Votes for	Votes Against	Abstained
134,953,599	4,176,103	132,292

There were 6,269,956 broker non-votes on this proposal.

ITEM 5 - OTHER INFORMATION

Not applicable.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits - none
b. Reports on Form 8-K - none.

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: August 10, 1998

By: /s/ Patrizio Vinciarelli

Patrizio Vinciarelli
President and Chairman
of the Board

Date: August 10, 1998

By: /s/ Mark A. Glazer

Mark A. Glazer
Chief Financial Officer

5
0000751978
VICOR CORPORATION
1,000
U.S. DOLLARS

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
1
70,916
0
29,390
0
29,664
133,848
137,040
54,297
231,482
23,079
0
0
0
462
206,089
231,482
84,910
84,910
45,323
45,323
0
0
0
14,722
5,152
9,570
0
0
0
9,570
.22
.22

5

0000751978
VICOR CORPORATION
1,000
U.S. DOLLARS

6-MOS
DEC-31-1997
JAN-01-1997
JUN-30-1997
1
80,843
0
30,142
0
19,777
133,652
107,761
45,859
207,302
16,203
0
0
0
458
188,933
207,302
77,657
77,657
37,179
37,179
0
0
0
19,280
6,941
12,339
0
0
0
12,339
.29
.29

Restated QTR 2, 1997 EPS to reflect adoption of FAS 128