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 March 31, 2005

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 March 31, 2005.

Common Stock, $.01 par value	29,999,062
Class B Common Stock, $.01 par value	11,867,100

VICOR CORPORATION

INDEX TO FORM 10-Q

Item 1 — Financial Statements

VICOR CORPORATION

Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	March 31, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 36,695	$ 36,277
Short-term investments	76,128	77,371
Accounts receivable, net	26,818	23,359
Inventories, net	24,704	26,229
Deferred tax assets	2,497	2,497
Other current assets	3,038	2,245
Total current assets	169,880	167,978
Property, plant and equipment, net	63,988	67,001
Other assets	9,995	9,903
	$ 243,863	$ 244,882
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 6,916	$ 5,806
Accrued compensation and benefits	3,759	4,265
Accrued expenses	2,953	2,815
Income taxes payable	6,355	6,367
Deferred revenue	419	306
Total current liabilities	20,402	19,559
Deferred income taxes	3,081	3,173
Minority interests	1,617	1,527
Stockholders' equity:		
Preferred Stock	—	—
Class B Common Stock	119	119
Common Stock	373	373
Additional paid-in capital	148,957	148,821
Retained earnings	176,808	176,769
Accumulated other comprehensive loss	(144)	(11)
Treasury stock, at cost	(107,350)	(105,448)
Total stockholders' equity	218,763	220,623
	$ 243,863	$ 244,882

See accompanying notes.

Table of Contents

VICOR CORPORATION

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

	Three Months Ended	
	March 31, 2005	March 31, 2004
Net revenues:		
Product	$ 43,180	$ 42,146
License	—	375
	43,180	42,521
Cost of revenues	26,135	27,521
Gross margin	17,045	15,000
Operating expenses:		
Selling, general and administrative	10,104	10,178
Research and development	7,096	5,943
Total operating expenses	17,200	16,121
Loss from operations	(155)	(1,121)
Other income (expense), net	494	215
Income (loss) before income taxes	339	(906)
Provision for income taxes	300	284
Net income (loss)	$ 39	$ (1,190)
Net income (loss) per common share:		
Basic	$ 0.00	$ (0.03)
Diluted	$ 0.00	$ (0.03)
Shares used to compute net income (loss) per share:		
Basic	41,980	41,917
Diluted	42,115	41,917

See accompanying notes.

Table of Contents

VICOR CORPORATION

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

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Operating activities:		
Net income (loss)	$ 39	$ (1,190)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,466	5,322
Amortization of bond premium	182	272
Minority interest in net income of subsidiaries	90	187
Loss (gain) on disposal of equipment	3	(4)
Change in current assets and liabilities, net	(1,982)	2,763
Net cash provided by operating activities	2,798	7,350
Investing activities:		
Purchases of short-term investments	(8,476)	(30,865)
Sales and maturities of short-term investments	9,381	25,219
Additions to property, plant and equipment	(1,372)	(1,015)
Increase in other assets	(190)	(1,084)
Net cash used in investing activities	(657)	(7,745)
Financing activities:		
Proceeds from issuance of Common Stock	136	251
Acquisitions of treasury stock	(1,902)	—
Net cash (used in) provided by financing activities	(1,766)	251
Effect of foreign exchange rates on cash	43	(5)
Net increase (decrease) in cash and cash equivalents	418	(149)
Cash and cash equivalents at beginning of period	36,277	41,723
Cash and cash equivalents at end of period	$ 36,695	$ 41,574

See accompanying notes.

Table of Contents

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements
March 31, 2005
(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 months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. The balance sheet at December 31, 2004 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, 2004, 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)
March 31, 2005
(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 March 31, 2005	Three Months Ended March 31, 2004
Net income (loss) as reported	$ 39	$ (1,190)
Stock-based employee compensation cost, net of related tax effects	(232)	(491)
Pro forma net loss	$ (193)	$ (1,681)
Net income (loss) per share, as reported:		
Basic	$ 0.00	$ (0.03)
Diluted	$ 0.00	$ (0.03)
Pro forma net loss per share:		
Basic	$ (0.00)	$ (0.04)
Diluted	$ (0.00)	$ (0.04)

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)
March 31, 2005
(Unaudited)

3. Net Income (Loss) per Share

The following table sets forth the computation of basic and diluted income (loss) per share for the three months ended March 31 (in thousands, except per share amounts):

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Numerator:		
Net income (loss)	$ 39	$ (1,190)
Denominator:		
Denominator for basic income (loss) per share-weighted average shares	41,980	41,917
Effect of dilutive securities:		
Employee stock options	135	—
Denominator for diluted income (loss) per share - adjusted weighted-average shares and assumed conversions	42,115	41,917
Basic income (loss) per share	$ 0.00	$ (0.03)
Diluted income (loss) per share	$ 0.00	$ (0.03)

The effect of outstanding stock options has been excluded from the calculation of diluted loss per share for the three months ended March 31, 2004 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 March 31, 2005 and December 31, 2004 (in thousands):

	March 31, 2005	December 31, 2004
Raw materials	$ 25,602	$ 27,212
Work-in-process	2,514	2,568
Finished goods	4,486	4,293
	32,602	34,073
Inventory reserves	(7,898)	(7,844)
Net balance	$ 24,704	$ 26,229

Table of Contents

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
March 31, 2005
(Unaudited)

5. 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 expenses in the accompanying condensed consolidated balance sheets.

Product warranty activity for the three months ended March 31, 2005 was as follows (in thousands):

Balance as of December 31, 2004	$ 1,042
Accruals for warranties for products sold in the period	39
Fulfillment of warranty obligations and revisions of estimated obligations	(66)
Balance as of March 31, 2005	$ 1,015

6. Income Taxes

Tax provisions in 2005 and 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, for federal and state taxes for certain minority-owned subsidiaries that are not part of the Company's consolidated income tax returns, and for the Federal alternative minimum tax.

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 "Accounting for Contingencies". 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.

7. Other Comprehensive Income (Loss)

Total other comprehensive loss was ($94,000) and ($1,069,000) for the three months ended March 31, 2005 and March 31, 2004, respectively. Other comprehensive income (loss) consisted principally of adjustments for foreign currency translation gains and (losses) in the amounts of ($41,000) and $39,000 and unrealized gains and (losses) on available for sale securities in the amount of ($92,000) and $82,000 for the three months ended March 31, 2005 and 2004, respectively.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
March 31, 2005
(Unaudited)

8. Legal Proceedings

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 and Tyco Electronics Power Systems, Inc. in the United States District Court in Boston, Massachusetts. The lawsuit against Lucent was filed in May 2000 and the lawsuits against the other defendants were filed in February and March 2001. In January 2003, the District Court issued a pre-trial decision in each of these patent infringement lawsuits and a patent infringement lawsuit that was pending against Power-One, Inc., relating to claim construction of the Reset Patent. The District Court's decisions rejected assertions that the Reset Patent claims are invalid for indefiniteness; and affirmed Vicor's interpretation of several terms used in the Reset Patent claims. However, the District Court adopted interpretations of certain terms of the Reset Patent claims that are contrary to Vicor's position. On May 24, 2004, the United States Court of Appeals for the Federal Circuit affirmed the decisions issued in January 2003 by the District Court. Vicor believes that the District Court's decisions, and the affirmation of these decisions by the Federal Circuit, strengthens its position regarding validity of the patent, but reduces the cumulative amount of infringing power supplies and the corresponding amount of potential damages. The Federal Circuit has referred the proceedings back to the District Court for trials on validity of the Reset Patent and infringement and damages by the defendants. The District Court has not yet set dates for these trials. 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 May 2004, Ericsson Wireless Communications, Inc. v. Vicor Corporation was filed in Superior Court of the State of California, County of San Diego. 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. In November 2004, Ericsson filed a First Amended Complaint adding claims against Exar Corporation, a former vendor of the Company. The Company denies the claims made against it, and intends to defend the action vigorously.

On March 4, 2005, Exar filed a declaratory judgment action against Vicor in the Superior Court of the State of California, County of Santa Clara, in which Exar seeks a declaration by the Court that Exar is not obligated to reimburse or indemnify Vicor for any claims brought against Vicor for alleged damages incurred as a result of the use of Exar components in Vicor products. Vicor intends to vigorously defend the declaratory judgment action.

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.

Table of Contents

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
March 31, 2005
(Unaudited)

9. Impact of Recently Issued Accounting Standards

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, “Inventory Costs, an amendment of Accounting Research Bulletin (ARB) No. 43, Chapter 4” (“FAS 151”). FAS 151 amends the guidance in ARB No 43, Chapter 4, “Inventory Pricing” to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) should be recognized as current-period charges. In addition, FAS 151 requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. The provisions of FAS 151 are effective for fiscal years beginning after June 15, 2005. The Company is currently evaluating the provisions of FAS 151 and does not believe that its adoption will have a material impact on the Company’s financial position or results of operations.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (FAS 123R), which is a revision of FAS No. 123, “Accounting for Stock-Based Compensation”. FAS 123(R) supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and amends SFAS No. 95, “Statement of Cash Flows”. Generally, the approach in FAS 123(R) is similar to the approach described in FAS 123. However, FAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values at the date of grant. Pro forma disclosure is no longer an alternative.

FAS 123(R) permits public companies to adopt its requirements using one of two methods. A “modified prospective” method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of FAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of FAS 123 for all awards granted to employees prior to the effective date of FAS 123(R) that remain unvested on the effective date. A “modified retrospective” method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under FAS 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption. The Company has yet to determine which method to use in adopting FAS 123(R).

As permitted by FAS 123, the Company currently accounts for share-based payments to employees using APB Opinion No. 25’s intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of FAS 123(R)’s fair value method will have a significant impact on the Company’s results of operations, although it will have no impact on the Company’s overall financial position. The Company is evaluating FAS 123(R) and has not yet determined the amount of stock option expense which will be incurred in future periods.

FAS 123(R) must be adopted in fiscal periods beginning after June 15, 2005. Early adoption will be permitted in periods in which financial statements have not yet been issued. On April 14, 2005, the Securities and Exchange Commission amended the compliance dates for FAS 123(R). The Company will be required to adopt FAS 123(R) on January 1, 2006, the commencement of its first quarter of fiscal 2006.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements (Continued)
March 31, 2005
(Unaudited)

10. Reclassification

Certain amounts in the 2004 financial statements were reclassified to conform to the 2005 presentation.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
March 31, 2005

Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations

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, 2004. 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
March 31, 2005
(Continued)

Results of Operations

Three months ended March 31, 2005 compared to three months ended March 31, 2004

Net revenues for the first quarter of 2005 were $43,180,000, an increase of $659,000, or 1.5%, as compared to $42,521,000 for the same period a year ago, and an increase of 6.3% on a sequential basis from the fourth 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 $1,034,000 offset by a decrease in license revenue of $375,000. Orders during the quarter increased by 23.5% compared with the fourth quarter of 2004. The book-to-bill ratio for the first quarter of 2005 was 1.09:1 as compared to 1.13:1 for the first quarter of 2004 and .94:1 in the fourth quarter of 2004. The decrease in license revenue was due to receipt of the final royalty payment from Nagano Japan Radio Company, Ltd. ("NJRC") in January 2004.

Gross margin for the first quarter of 2005 increased $2,045,000, or 13.6%, to $17,045,000 from $15,000,000 for the first quarter of 2004, and increased to 39.5% from 35.3% as a percentage of net revenues. The primary components of the increase in gross margin dollars and percentage were due to the higher level of shipments and increased manufacturing efficiencies, resulting in lower average unit costs.

Selling, general and administrative expenses were $10,104,000 for the period, a decrease of $74,000, or 0.7%, from the same period in 2004. As a percentage of net revenues, selling, general and administrative expenses decreased slightly to 23.4% from 23.9%. The principal components of the $74,000 decrease were $361,000, or 53.1%, of decreased legal fees in connection with the litigation with Exar Corporation that was settled in July 2004 and $142,000, or 22.5%, of decreased depreciation expense, due to certain computer hardware and software becoming fully depreciated in 2004. The principal components partially offsetting the above decreases were $159,000, or 3.7%, in increased compensation as annual compensation adjustments resumed in mid-2004, $113,000, or 53.3%, in increased audit fees due to the requirements of complying with the Sarbanes-Oxley Act of 2002, $69,000, or 14.3%, in increased advertising expenses and $57,000, or 8.1%, in increased costs associated with Vicor Japan Company, Ltd.

Research and development expenses increased $1,153,000, or 19.4%, to $7,096,000, and increased as a percentage of net revenues to 16.4% from 14.0%. The principal components of the $1,153,000 increase were $516,000, or 17.9%, in increased compensation expense as annual compensation adjustments resumed in mid-2004, $361,000, or 74.1% in increased project material costs, $71,000, or 5.6%, 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 2005 as compared to 2004, $62,000, or 20.4%, in increased depreciation expense, $53,000, or 161.1%, in increased supplies and $44,000, or 115.0%, in increased tooling costs. The increases in compensation expense, project materials, depreciation expense, supplies and tooling costs were principally due to the development efforts associated with the Company's new Factorized Power Architecture ("FPA") products. The Company has a long-term commitment to investing in new product design and development in order to maintain and improve its competitive position.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
March 31, 2005
(Continued)

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

	2005	2004	Increase (decrease)
Interest income	$ 635	$ 377	$ 258
Foreign currency gains (losses)	(180)	(3)	(177)
Minority interest in net income of subsidiaries	(90)	(187)	97
Other	129	28	101
	$ 494	$ 215	$ 279

Income before income taxes was $339,000 for the first quarter of 2005 compared to a loss before income taxes of $906,000 for the same period in 2004, principally due to the increase in gross margin in 2005.

Tax provisions in 2005 and 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, for federal and state taxes for certain minority-owned subsidiaries that are not part of the Company's consolidated income tax returns, and for the Federal alternative minimum tax.

Diluted income per share was $0.00 for the first quarter of 2005 compared to diluted loss per share of ($0.03) for the first quarter of 2004.

Liquidity and Capital Resources

At March 31, 2005 the Company had $36,695,000 in cash and cash equivalents. The ratio of current assets to current liabilities was 8.3:1 at March 31, 2005 compared to 8.6:1 at December 31, 2004. Working capital increased $1,059,000, from $148,419,000 at December 31, 2004 to $149,478,000 at March 31, 2005. The primary factors affecting the working capital increase were an increase in accounts receivable of $3,459,000 and in cash and cash equivalents of $418,000. These increases were partially offset by a decrease in short-term investments of $1,243,000 and a decrease in inventory of $1,525,000. The primary sources of cash for the three months ended March 31, 2005 were $2,798,000 from operating activities and $905,000 of net sales of short-term investments. The primary uses of cash for the three months ended March 31, 2005 were for the acquisition of equipment of approximately $1,372,000 and treasury stock of $1,902,000.

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 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 increase in 2005 as compared to 2004. In April 2005, management authorized the purchase of approximately $4,000,000 for FPA equipment during the remainder of the year.

VICOR CORPORATION

Management's Discussion and Analysis of
Financial Condition and Results of Operations
March 31, 2005
(Continued)

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 $1,902,000 for the repurchase of 178,400 shares of Common Stock during the three months ended March 31, 2005. As of March 31, 2005, the Company had approximately $23,018,000 remaining under the plan.

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 March 31, 2005, the Company had approximately $943,000 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) 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.

The Company's management, including the CEO and CFO, does not expect that our Disclosure Controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

(b) Changes in internal control over financial reporting.

There were no changes in the Company’s internal control over financial reporting identified in connection with the Company’s evaluation of internal control over financial reporting 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
March 31, 2005

Item 1 — Legal Proceedings

Not applicable.

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
January 1 – 31, 2005	—	—	—	$ 24,920,000
February 1 - 28, 2005	2,500	$ 10.80	2,500	$ 24,893,000
March 1 – 31, 2005	175,900	$ 10.66	175,900	$ 23,018,000
Total	178,400	$ 10.66	178,400	$ 23,018,000

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.

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.

VICOR CORPORATION

Part II — Other Information
March 31, 2005
(Continued)

Item 6 – Exhibits

Exhibit Number	Description
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

Table of Contents

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: May 5, 2005	By: /s/ Patrizio Vinciarelli Patrizio Vinciarelli President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
Date: May 5, 2005	By: /s/ Mark A. Glazer Mark A. Glazer Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) 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

    d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: May 5, 2005

/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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) 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

    d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: May 5, 2005

/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 March 31, 2005 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

May 5, 2005

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 March 31, 2005 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

May 5, 2005

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.